

WASTE, FRAUD, AND ABUSE IN VA'S PURCHASE CARD PROGRAM

HEARING

BEFORE THE
SUBCOMMITTEE ON OVERSIGHT AND
INVESTIGATIONS
OF THE
COMMITTEE ON VETERANS' AFFAIRS
U.S. HOUSE OF REPRESENTATIVES
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WASTE, FRAUD, AND ABUSE IN VA'S PURCHASE CARD PROGRAM

Thursday, May 14, 2015

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON VETERANS' AFFAIRS,
SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATION,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10:31 a.m., in Room 334, Cannon House Office Building, Hon. Mike Coffman [chairman of the subcommittee] presiding.

Present: Representatives Coffman, Miller, Lamborn, Roe, Benishek, Huelskamp, Walorski, Kuster, O'Rourke, Rice, and Walz.

OPENING STATEMENT OF CHAIRMAN MIKE COFFMAN

Mr. COFFMAN. Good morning. This hearing will come to order. I want to welcome everybody to this hearing, "Waste, Fraud, and Abuse of the VA's Purchase Card Program," the deficiencies of VA's implementation and oversight of its government Purchase Card Program.

The use of government purchase cards is intended to streamline payment procedures and improve cash management practices at the Department. However, the program has had a history of weak internal controls and serious violations of procurement laws, including the Competition in Contracting Act and the Federal Acquisition Regulation.

Due to inadequate oversight of the Purchase Card Program, especially at the Veterans Health Administration, we have learned that VA may have committed as much as \$5 billion a year in improper and unauthorized procurement expenditures for at least the last 5 years. This is truly a staggering amount.

Given the high number of transactions, 6.2 million in fiscal year 2014, and the aggregate billions at risk, it is crucial that VA implement effective oversight controls to ensure its uses of taxpayer resources are efficiently used for veterans. Even after multiple reports from the OIG, the GAO, VA continues to leave its program vulnerable to massive waste, fraud, and abuse.

In this regard, for fiscal year 2015, the VA OIG has identified the following seven risk areas: number one, exceeding authorized purchase limits individually or in aggregate; number two, an excessive number of purchase cardholders with inadequate justification; number three, an unmanageable span of control, the ratio of cardholders to approving officials is very high; number four, inadequate financial controls prohibiting duplicative or split payments; number five, inadequate reporting of financial information; number six, in-

sufficient oversight of year-end spending; and number seven, inadequate review of purchases by reviewing officials.

Violations of procurement laws are not mere technicalities. It is not just a matter of paying a little more for needed supplies and services, as some apologists for VA have asserted. Among other things, purchase card abuse invites cronyism and the directing of business to favored vendors, including those who may employ former VA officials.

Moreover, buying of biologics and medical supplies without contracts imperils patient safety. Without contracts, FDA certifications are not a legal requirement, nor are the Buy America Act or Trade Agreement Act provisions applicable. If veterans are later harmed by these products, VA would have little recourse without contracts with the vendor.

Recognizing the importance of compliance with procurement laws in Purchase Card Programs, Congress has passed the Government Charge Card Abuse Prevention Act of 2012, requiring periodic audits, reports, and risk assessments. It also requires that agencies hold employees who violate purchase card guidelines or make erroneous, improper, or illegal purchases accountable through adverse personnel actions, including dismissal. Under existing law, agencies may also hold such employees personally liable.

However, rather than following the law and holding its employees accountable, VA has often sought to institutionally ratify unauthorized commitments, sometimes in wholesale, for years of illegal purchases.

I am sure many of you know that The Washington Post published an article this morning involving these very issues, citing to a 35-page letter sent to Secretary McDonald months ago—months ago—detailing these problems. We distributed that letter to every member of this subcommittee and would like to get an answer from VA as to what it plans to do to fix the litany of problems explained within it.

In conclusion, VA needs to explain to the subcommittee, to taxpayers, and to veterans its continuing and longstanding mismanagement of the Purchase Card Program. Each time VA makes illegal purchases taxpayers are forced to foot the bill, resources to care for veterans are squandered, and the veteran, as well as the government assumes all the risk.

I look forward to the discussion we will have here today on this important issue.

With that, I now yield to the Ranking Member, Mr. O'Rourke, for any opening remarks he may have.

[THE PREPARED STATEMENT OF CHAIRMAN MR. MIKE COFFMAN APPEARS IN THE APPENDIX]

OPENING STATEMENT OF HON. BETO O'ROURKE

Mr. O'ROURKE. Thank you, Mr. Chairman. And thank you for holding this hearing. I look forward to the testimony from our panel and to their answers from our questions.

I'll waive any opening remarks, but I'll ask that Ranking Member Kuster's full written opening remarks be submitted for the record.

Mr. COFFMAN. Thank you, Mr. O'Rourke.

Ask all members waive their opening remarks as per this committee's custom.

With that, I invite the first and only panel to the witness table. On the panel from VA, we have Mr. Edward Murray, Acting Assistant Secretary for Management and Interim Chief Financial Officer of the Office of Management; Mr. Greg Giddens, Principal Executive Director of the Office of Acquisitions, Logistics and Construction.

Is Mr. Giddens here? Okay. I think you ought to be at the panel. Okay. That's fine.

Okay. Mr. Jan Frye. Okay. VA Senior Procurement Executive and Deputy Assistant Secretary for the Office of Acquisition and Logistics. And Mr. Norbert Doyle, Chief Procurement and Logistics Officer of the Veterans Health Administration.

From the Office of Inspector General we have Ms. Linda Halliday, Assistant Inspector General for Audits and Evaluations. She is accompanied by Mr. Quentin Aucoin, Deputy Assistant Inspector General for Investigations, Mr. Kent Wrathall, Director of the Atlanta Office of Audits and Evaluations, and Mr. Murray Leigh, Director of the Office of Audits and Evaluations, Financial Integrity Division, of the Office of Inspector General.

I'd ask the witnesses to please stand and raise your hand.

[Witnesses sworn.]

Mr. COFFMAN. Please be seated.

Prior to hearing from our witnesses, I would like to note the considerable effort VA exerted to substitute witnesses in place of those who I requested for this hearing. I requested that Mr. Frye, who serves as VA's senior procurement executive, attend as the lead witness for VA since it is his role and has been for about 8 years to act as VA's chief contracting officer. For some unexplainable reason VA pushed back, stating that it would not send Mr. Frye and instead would send Mr. Giddens, who just passed his fifth week in the position of Executive Director of VA's Acquisition Office, which admittedly makes him Mr. Frye's superior.

What strikes me as strange is that VA decided that it would be better to send an individual who has been at the helm of VA's Contracting Office for just over a month to discuss matters that have been affecting VA for years. I specifically asked for Mr. Frye to attend because he can speak with firsthand experience on the specifics of VA's acquisitions, whereas Mr. Giddens can only do so by what he has been told about them.

When this committee makes specific requests for witnesses to attend it is because it knows those witnesses can speak to the issues in question. We are not asking VA to attempt to substitute its judgment for that of the committee in what can only be seen as yet another attempt to avoid responding in a fully open, candid, and accurate manner to our questions. In other words, we do not want a person who has just joined a particular office to come and, when asked a question, take it for the record since they have only been there for a short time.

Unfortunately, this has become a continuing VA tactic, but appears to be a means to avoid answering questions publicly when the answer might reflect poorly on VA. All that does is stifle the

conversation, which defeats the entire purpose of having a hearing. Perhaps that is the point.

Ultimately, VA relented and agreed to send Mr. Frye and Mr. Giddens, which is why we have had to seat some witnesses behind those who sit at the table.

With that, Mr. Murray, you are now recognized for 5 minutes.

STATEMENT OF MR. EDWARD J. MURRAY, ACTING ASSISTANT SECRETARY FOR MANAGEMENT AND INTERIM CHIEF FINANCIAL OFFICER, OFFICE OF MANAGEMENT, DEPARTMENT OF VETERANS AFFAIRS, ACCOMPANIED BY MR. GREGORY GIDDENS, PRINCIPAL EXECUTIVE DIRECTOR, OFFICE OF ACQUISITIONS, LOGISTICS AND CONSTRUCTION, DEPARTMENT OF VETERANS AFFAIRS, MR. JAN FRYE, DEPUTY ASSISTANT SECRETARY AND SENIOR PROCUREMENT EXECUTIVE, OFFICE OF ACQUISITION AND LOGISTICS, DEPARTMENT OF VETERANS AFFAIRS, AND MR. NORBERT DOYLE, CHIEF PROCUREMENT & LOGISTICS OFFICER, VETERANS HEALTH ADMINISTRATION, DEPARTMENT OF VETERANS AFFAIRS

STATEMENT OF EDWARD J. MURRAY

Mr. MURRAY. Good morning, Chairman Coffman, Ranking Member Kuster, and members of this subcommittee. Thank you for the opportunity to participate in this hearing and to discuss the Department of Veterans Affairs' implementation and oversight of our Purchase Card Program. I'm accompanied today by Mr. Greg Giddens, Principal Executive Director, Office of Acquisitions, Logistics and Construction; Mr. Jan Frye, Deputy Assistant Secretary for Acquisitions and Logistics; and Mr. Norbert Doyle, Chief Procurement Logistics Officer for the Veterans Health Administration.

I, with the senior leadership at this table and across the VA, am committed to ensuring VA's Purchase Card Program is run efficiently and effectively. VA relies on the program to buy supplies and services in direct support to our veterans. For instance, purchase cards are used to buy prosthetics and sensory aids to promote veteran health and quality of life.

As with many large programs, we have experienced challenges, as noted in the recent report by the Office of Inspector General. We value the recommendations provided by the inspector general and have implemented needed improvements to strengthen our controls over VA's Purchase Card Program.

We now close the account or have reduced the card spending limits due to inactivity, invalid training certificates, and lack of valid warrants, or when employees separate. In December 2012, our Financial Services Center became the single point of control in VA for setting single purchase limits for cardholders. Using these controls and others, we have not identified any unwarranted cardholders with single purchase limits above the micro-purchase limit since January 2013.

Within VA, VHA has the largest number of purchase cardholders, generating a little over 98 percent of the purchase card transactions in fiscal year 2014. VHA purchase cardholders spend about \$3.7 billion annually on approximately 6 million transactions. As the inspector general noted in their 2013 report, use of

the purchase card is a way for VHA to increase purchasing efficiency and cost-effectiveness. VHA's Office of Procurement and Logistics provides additional oversight for VHA's Purchase Card Program.

In May 2014, the inspector general issued a report on the review of alleged unauthorized commitments regarding purchase card transactions in fiscal year 2012. The IG substantiated allegations that cardholders made unauthorized commitments and that VA had not performed ratification actions on identified unauthorized commitments. In total, OIG made nine recommendations to VA, all of which were closed by October 2015—I mean, I'm sorry, April 2015.

VA has made significant strides in recent years in its Purchase Card Program, and we recognize the need to continue to expand and improve our oversight internal controls. The Charge Card Act has supported our improved program, and we continue to develop and refine training for all government Purchase Card Program participants.

Mr. Chairman, this concludes my opening statement. My colleagues and I are prepared to answer any questions you or other members of the committee may have.

[THE PREPARED STATEMENT OF MR. EDWARD J. MURRAY APPEARS IN THE APPENDIX]

Mr. COFFMAN. Thank you, Mr. Murray.

Ms. Halliday, you are now recognized for 5 minutes.

STATEMENT OF MS. LINDA A. HALLIDAY, ASSISTANT INSPECTOR GENERAL FOR AUDITS AND EVALUATIONS, OFFICE OF INSPECTOR GENERAL, DEPARTMENT OF VETERANS AFFAIRS, ACCOMPANIED BY MR. QUENTIN G. AUCOIN, DEPUTY ASSISTANT INSPECTOR GENERAL FOR INVESTIGATIONS (FIELD OPERATIONS), OFFICE OF INSPECTOR GENERAL, DEPARTMENT OF VETERANS AFFAIRS, MR. MURRAY LEIGH, DIRECTOR, FINANCIAL INTEGRITY DIVISION, OFFICE OF AUDITS AND EVALUATIONS, OFFICE OF INSPECTOR GENERAL, DEPARTMENT OF VETERANS AFFAIRS, AND MR. KENT WRATHALL, DIRECTOR, ATLANTA OFFICE OF AUDITS AND EVALUATIONS, OFFICE OF INSPECTOR GENERAL, DEPARTMENT OF VETERANS AFFAIRS

STATEMENT OF LINDA A. HALLIDAY

Ms. HALLIDAY. Chairman Coffman and members of the subcommittee, thank you for the opportunity to provide testimony concerning the OIG's work related to VA's Purchase Card Program.

VA's program enables authorized employees to make purchases on behalf of the Federal Government to support VA's mission. From fiscal year 2011 to 2014, the value of VA's purchase card transactions increased by just over 100 percent, from \$1.8 billion to \$3.7 billion.

Considering the high value and the volume of the purchase card transactions, ensuring compliance with policies and controls over the use of purchase cards is critical to providing and protecting taxpayers' funds in an efficient and effective manner.

The Government Charge Card Abuse Prevention Act of 2012 requires agencies to establish and maintain safeguards and internal controls over purchase cards. OIGs must conduct periodic risk assessments of agency purchase cards to analyze the risks of illegal, improper, or erroneous payments. Based on our risk assessments, we conduct and plan audits and reviews that can continue to address high risk areas, inefficiencies, and help limit the financial risks to VA.

Overall, we consider VA's Purchase Card Program at medium risk of fraud. However, our recent risk assessments identified significant control weaknesses that did not detect or prevent transactions involving unauthorized commitments, improper payments, split purchases, and purchases that lacked appropriate supporting documentation. We identified seven high-risk weaknesses in the controls. I won't restate those since your opening statement did.

On May 2014, our report titled "Review of Alleged Unauthorized Commitments Within VA" substantiated allegations that purchase cardholders made unauthorized commitments and violated the law by not performing proper ratification actions on these unauthorized commitments. An unauthorized commitment circumvents Federal competition requirements and increases the risks of paying excessive prices and misuses taxpayer funds. Ratification is an act of approving an unauthorized commitment by an official who has the authority to do so.

Our review of these alleged unauthorized commitments estimated that during fiscal year 2012 and 2013, VA made about 15,600 potential unauthorized commitments. We projected a value of \$85.6 million, which was a conservative range, that required ratification actions. In one instance, we identified one cardholder that made 18 unauthorized commitments totaling approximately \$4.6 million.

These commitments occurred over a 10-month period without being detected. VA could have prevented and reduced the number of unauthorized commitments with stronger controls and early detection by ensuring regular oversight.

VA used a practice of institutionally ratifying bundled unauthorized commitments in the past. This practice, in our view, does not hold individuals accountable for this serious offense and it does not ensure that reasonable prices were obtained.

Given these types of purchase card risks and noncompliance with purchasing requirements, we are examining compliance with purchase card requirements in VA conference management activities for fiscal year 2015. Additionally, in response to information obtained during the course of a criminal investigation involving purchase card abuses at a VA New Jersey Health Care System, we have initiated a follow-on review to determine whether the practice of continuing to split purchasing is pervasive throughout that healthcare system. Our data mining, risk assessments, audits, and reviews are complemented with the work performed by the Office of Investigations, who performs criminal investigations involving purchase card fraud.

Misuse of purchase cards throughout VA is unacceptable. It has existed for years and it contributes to the erosion of public trust that taxpayer dollars are being spent wisely and effectively.

We have reported since 1995 inadequate VA controls that allowed cardholders to make thousands of unauthorized purchase commitments. VA must significantly strengthen its Purchase Card Program to prevent future misuse of taxpayer dollars.

Mr. Chairman, this concludes my statement, and we'd be pleased to answer any questions.

[THE PREPARED STATEMENT OF MS. HALLIDAY APPEARS IN THE APPENDIX]

Mr. COFFMAN. Thank you, Ms. Halliday, for your testimony.

Mr. Frye, at my invitation to VA to testify I originally asked for you to provide an opening statement, so I now invite you to the table and will recognize you for 5 minutes to do so.

STATEMENT OF JAN FRYE

Mr. FRYE. Chairman Coffman, Ranking Member Kuster, and members of the subcommittee, thank you for inviting me to testify before you this morning.

Today I find myself in a position I never envisioned myself to be in: I'm testifying as a whistleblower.

Before I go further, I want to assure you I do not enjoy being a whistleblower. I am not a disgruntled VA senior executive. I am definitely not seeking attention or celebrity. I'm here before you because I've been unsuccessful in my persistent attempts to bring massive violations of Federal acquisition and fiscal laws and regulations to a halt in VA.

Each of us engaged in Federal acquisition and fiscal processes have an overriding responsibility to taxpayers. Those of us in leadership positions must always lead in a manner so as to maintain the public trust while upholding the integrity of the Federal acquisition and financial systems.

Over the past 5 years, some senior VA acquisition and finance officials have woefully violated the public trust while Federal procurement and financial laws were debased. Their overt actions and dereliction of duties combined have resulted in billions of taxpayer dollars being spent without regard to Federal laws and regulations, making a mockery of Federal statutes.

I'm not aware of a single senior acquisition leader being held accountable for wrongdoing or dereliction in the nearly 10 years I've been in my present VA position.

While intentional violations of Federal acquisition and fiscal laws add to VA's now infamous corrosive culture, recently cited by the White House, these unlawful acts may potentially result in serious harm or death to America's veterans. When VA procures pharmaceuticals or medical devices without terms and conditions afforded via written contracts, the government forfeits all legal protections afforded by contract law. Efficacy and safety mandates are nonexistent. Without contracts, Food and Drug Administration certifications are not a legal requirement, nor Trade Agreement Act or Made in America provisions.

Unfortunately, the government has little recourse if veterans are harmed by products or services obtained without protection of contract terms and conditions.

In addition, doors are flung wide open for fraud, waste, and abuse when contracts are not executed. For example, by law, prices

paid for goods or services subject to contracts can only be determined to be fair and reasonable by duly appointed contracting offices. I can state without reservation that VA has and continues to waste millions of dollars by paying excessive prices for goods and services due to breaches of Federal procurement laws.

Further, traceability and auditability of public funds spent without regard for established laws and regulations are difficult, if not impossible to realize. Contract award data is required statutorily to be recorded in the Federal Procurement Data System, which is accessible by the general public. When contracts are not executed, the taxpayers are not afforded access to data describing these expenditures.

Also, VA's small business goal accomplishments have been and continue to be overstated. Illegal procurements without contracts are not included in calculations to determine federally mandated small business goals. Thus, we've duped the veteran-owned business community we're required by law to advocate for.

The overarching questions are these: How is it possible the VA procurement and finance systems have been allowed to operate where potentially billions of dollars in goods and services are acquired without contracts as required by Federal law? Why are VA senior procurement and finance officials not actively enforcing acquisition and fiscal laws?

You just heard Mr. Murray provide the VA's official statement in response to your request for this hearing. There are no false affirmations in our statement that I'm aware of. However, senior leaders before you today know the Department is not telling the whole story.

We hope you won't ask us any questions that will force us to tell you about the important pieces we premeditatedly left out. If you happen to ask us about what we failed to tell you, we hope we can answer your question in such a way as to quickly extinguish follow-on questions. In short, obfuscation is our game.

I will no longer be you a party to these VA games. The vaunted Veterans Affairs ICARE values, with integrity being first, make an attractive lapel pin, but little else if we don't live these values daily. We continue to flout integrity, the most basic and necessary foundational footing, the very core of our being.

In the recent past, because VA senior leaders would not conduct themselves appropriately, I was forced to request assistance from congressional Members. For instance, Representative Donnelly, now Senator Donnelly, assisted me in halting the ubiquitous violations of Federal law in the procurement of VA pharmaceuticals in 2012 through hearings he mustered. Former Representative Buyer assisted me twice in arresting massive violations in the use of miscellaneous obligations in 2008 and again in 2010 through hearings.

In 2013, I attempted to report massive illegal acts to the House Oversight and Government Reform Committee, including matters involving illegal purchase card use. I was thwarted in my efforts when that committee's senior counsel and a VA senior acquisition executive, who are friends, conspired to keep my letter from Chairman Issa.

Approximately 7 weeks ago, I disclosed illegal matters in a 35-page report to Secretary McDonald, which included recommenda-

tions going forward. My labors have not yet been acknowledged. I took to heart the Secretary's invitation for whistleblowers to step forward. I believed the Secretary was sincere when entreating all VA employees to abide by the words found in the West Point Cadet Prayer: "Make us to choose the harder right instead of the easier wrong."

However, I hope we can resolve to also live up to the remainder of the sentence in which those words are contained, and let me read that entire sentence for you: "Make us to choose the harder right instead of the easier wrong and never to be content with a half-truth when the whole can be won."

Mr. Chairman, this concludes my testimony, and I'm prepared to answer questions you or other members of the subcommittee may have.

[THE PREPARED STATEMENT OF MR. JAN FRYE APPEARS IN THE APPENDIX]

Mr. COFFMAN. Thank you, Mr. Frye, for your remarks.

Unless there is any member objection, the written statements of those who have just provided oral testimony will be entered into the hearing record. Hearing none, so ordered. And we will now proceed to questioning.

Mr. Murray, according to VA emails, in late 2012, Mr. Frye clearly informed you and others that stopping the illegal use of purchase cards does not adversely impact veterans' care. In fact, stopping the practice would actually better protect veterans and the government by putting contracts in place and providing the protections offered under the law.

So why are the issues identified in 2012 by Mr. Frye still not fixed?

Mr. MURRAY. If I recall that email, and some of this is just going to be recollection, because it was a while ago, and I think this occurred after a meeting that we had as well, a Senior Assessment Team meeting, but the issue there was we agreed to establish a work group, both the Health Administration participants as well as the Office of Acquisitions and Logistics, to look into these matters. And that work group did meet, and the Office of Business Oversight did try to pursue those important issues.

Mr. COFFMAN. Well, Mr. Murray, obviously there's documentation that this practice has gone on for years and has been reported to the OIG repeatedly, so it doesn't seem as if you're in a hurry to fix it.

Mr. Frye, why are the issues you outlined in 2012 still not fixed?

Mr. FRYE. Well, first of all, let me make sure the committee knows what hasn't been fixed. As you know, the IG report identified over 2,000 persons where cards were issued, and these persons did not have the authority to use the card above \$3,000. That's one issue.

But the second issue the IG didn't choose to look in, because they had limited their scope, was whether there were contracts in place. That's the other element that is absolutely essential when cards are used above \$3,000.

Cards used above \$3,000 are not a procurement methodology, they're a payment methodology. It goes without saying, to pay on a contract, you must have a contract. That is the issue in question

here. That's the issue that some of my colleagues have not been willing to talk too much about. And that's primarily where we have very, very much abused the system.

The reason these have not been fixed is because of poor leadership. There simply is not the leadership, the leadership's will to get them fixed. We know what's wrong.

The VA has a very complex supply chain system, but we have, I think, a relatively easy procurement system. What we buy are commercial off-the-shelf products, for the most part. We aren't sending people to the moon, we're not sending rovers to Mars, we're not prosecuting a war in Southwest Asia. We're buying commercial off-the-shelf products and services, and so it's an easy procurement mission. But for some reason we've decided, and we've been following this model for a long time, that it's just too hard for us to put contracts in place in accordance with the law.

So I would say leadership is the lacking ingredient.

Mr. COFFMAN. And, Mr. Murray, on January 8, 2013, Glenn Haggstrom informed the Deputy Secretary and VA Chief of Staff of, quote, "significant problems in how purchasing was being done," unquote, basically outlining that contracts weren't being created and purchase cards were being misused.

On January 9, 2013, Mr. Frye published rules for proper prosthetics procurement in VHA, but VHA is still circumventing the rules, regulations, and law. Why? And I want to remind, you are under oath.

Mr. MURRAY. I'm not aware of any circumvention that VHA is involved in. I will tell you that we have stringent controls over our card program and we've made them more stringent since 2012. We ensure that everybody that purchases under the card for authorities greater than the micro-purchase threshold do have a valid contracting warrant.

But as Mr. Frye will tell you, possessing a valid contracting warrant requires a high degree of training and a high degree of responsibility. So I think that it would be something that would be in the procurement space in terms of whether those contracts are valid or not.

Mr. COFFMAN. Okay. Well, Mr. Murray, I have a copy of the email right here in front of me, and it says—again, from Mr. Haggstrom to Mr. Gould—prosthetics on purchase cards have significant problems in how purchasing was being done by non-1102 prosthetic folks holding a warrant. Essentially, there were no contracts in place.

Mr. Frye, why are the laws and regulations being broken by VHA procurement?

Mr. FRYE. In the particular case that you bring up, at the end of that year, at the end of 2012, I discovered by chance that there was an organization, VISN 3 in VHA, that had obligated over \$50 million in procurement buys without contracts. That led me and my staff to believe that the problem might be a lot larger.

As we began to look into it, we discovered wholesale abuse. What we discovered was that VHA had warranted contracting officers, over 1,100 of them, but these contracting officers were not putting contracts in place, they were simply using their warrant as their justification to call vendors, order, no matter what the amount, and

pay for those particular purchases with the government purchase card. Of course, that is illegal. A contract must be in place before the purchases are made.

What we accomplished immediately, after some pushback from the senior leadership of VA, is we put a temporary provision in place that allowed VHA personnel, non-1102s, because they were very, very short of qualified people, that the non-1102s were allowed to place contracts in place up to \$25,000, but they had to be supervised by a qualified 1102 contracting officer. From \$25,000 up to the simplified acquisition threshold of \$150,000, Mr. Doyle required 1102 contracting officers to put those contracts on file.

So we had to come up with a system to try and mitigate the damage that had been in place. And these weren't events that just emerged. These were events that had taken place for probably many years and probably billions of dollars spent without benefit of contracts.

I remember the first instance that I heard, I was in the Washington hospital, and one of the senior prosthetics personnel stated that they had ordered a \$143 prosthesis and paid for it with a government purchase card. And I then asked: So you had a contract? He said no. That was the first indication of this malfeasance.

Mr. COFFMAN. Thank you, Mr. Frye.

Mr. O'ROURKE. you are now recognized.

Mr. O'ROURKE. Thank you. Thank you, Mr. Chair.

In the little time that I have, I'm going to try to see if we can shed some light on how bad this problem was and perhaps still is, who has been held accountable that was responsible for these problems, whether or not the necessary fixes are in place, and then, if we have time, what concerns we have going forward.

So to get to how bad this was and perhaps still is, Mr. Frye, you said that these lack of safeguards and controls in the practices at the VA when it came to the purchase card could have led to serious harm or death. Do we have any specific examples of that being the case?

Mr. FRYE. I don't know of any examples, but certainly without the safeguards that are included in contracts, you're open only to the largesse of the suppliers. For instance, that \$142,000 prosthetic that I just mentioned, if that prosthesis broke the day after we bought it, we've got to rely on the contractor to make good, because we have no contractual provisions to force him to make good.

Mr. O'ROURKE. I understand and I share your concern about that.

But beyond speculation, Ms. Halliday, do we have with any evidence that this practice has caused serious harm or death?

Ms. HALLIDAY. I don't have absolute evidence that it has caused harm or death. I think what we always see is the practice is justified because of lack of planning, and it's just the easy course. And it seems that to try to get compliance VA-wide, enterprise-wide to ensure that everyone is taking the proper precautions just doesn't occur.

Mr. O'ROURKE. Okay.

And for Mr. Murray, can you tell us about what you've done to hold those responsible accountable? I think that has been a recur-

ring necessary theme on this committee. More than resources, I think the VA needs accountability. So could you address that?

Mr. MURRAY. Yes, sir. Thank you for the question.

So upon the Charge Card Act of 2012 being implemented, we worked with our partners in Human Resources to come up with a table of offenses for misuse of either the travel, the purchase, or the fleet card. First offense is, in that table of penalties, is admonishment all the way to removal.

Mr. O'ROURKE. And has anybody been admonished or removed?

Mr. MURRAY. We have reported in the three semi-annual reports, two removals, two dismissals.

Mr. O'ROURKE. Two removals related to this problem?

Mr. MURRAY. To misuse of a card.

Mr. O'ROURKE. Great. And then if I heard you correctly, Mr. Murray, you said that all of the outstanding OIG concerns were addressed and closed as of April 2015. Did I hear you correctly?

Mr. MURRAY. From the unauthorized commitment report that they issued in 2014, we closed all those recommendations working with the Office of Acquisitions and Logistics.

Mr. O'ROURKE. Okay.

And, Ms. Halliday, would you care to comment on that? Does OIG have any outstanding concerns, and do you agree with Mr. Murray's conclusion on that?

Ms. HALLIDAY. Mr. Murray's team fixed the controls to our satisfaction. That's why we closed those recommendations. However, you have to have compliance with those controls or you still have serious problems. This is the area I think VA really struggles with.

Mr. O'ROURKE. And would you care to comment on Mr. Frye's statement about how narrow your focus was in addressing some of the issues that he has unsuccessfully, it seems, tried to bring to the attention of senior VA leadership and whether that warrants expanding OIG's investigation of the Purchase Card Program?

Ms. HALLIDAY. When we decided to take a look at the purchase cards, we scoped out specific objectives. The issue that Mr. Frye is talking about is putting contracts in place, and I have other teams that look at contracts.

The reason we narrowed our focus at the time was VA was moving forward to put an integrated operating procedure in place to build quality into its contracts. It had put a QA program and these, I think if I get it right, the head contracting officials would be monitoring the contracts. We thought at some point as that started to take hold we would see some improvement in this. We had tested those controls and they worked when they were used. Unfortunately VA, in our other work that we did, we found that they just circumvented the controls or ignored them.

Mr. O'ROURKE. And then just briefly, Mr. Frye, going forward, can you comment on any change you've seen in leadership related to these control issues, accountability, and ensuring that we're safeguarding taxpayer dollars under this new administration, under Secretary McDonald, compared to Secretary Shinseki?

Mr. FRYE. Let me just relate that several months ago I was asked to visit three VA healthcare centers. The last one we visited remarked that they had just discontinued this illegal practice in October of 2014. They were supposed to have discontinued this ille-

gal practice in January of 2013. That's as far as we've dug into it, but I can assure you that if we were to do an investigation, a full investigation, we would find that many of these issues still exist.

I provided to this subcommittee a document that shows the potential for \$1.2 billion spent without contracts paid for with the government purchase cards for fiscal year 2013 and half of fiscal year 2014. That information was obtained by us. We hired a supplier to come in and help us out. No investigation has been made into these potential unauthorized commitments. So I would say based on that, they said they stopped, but they continued.

Mr. O'ROURKE. Thank you.

Thank you, Mr. Chairman.

Mr. COFFMAN. Dr. Roe, you're now recognized for 5 minutes.

Dr. ROE. Thank you, Mr. Chairman.

I think, first of all, Ms. Halliday, if I could get your address. You're here so much, I want to send you a Christmas card. Okay? You seem to be here so much in front of our committee.

Ms. HALLIDAY. I would appreciate that.

Dr. ROE. Anyway, one of the things that has been brought up is trust. And we look at the Veterans Choice Card, yesterday we held a hearing, problems. We look at VA hospital construction. We look at now this purchase card. This reminds me of a story you're going to see about every year in the local newspaper of the secretary at the church that has the credit card and overspends and finally gets caught sometimes. That's what this reminds me of.

And you've got 2,000 cards out there without supervision. Most of these employees are honest people. I certainly understand that. They are. They're not going to do anything wrong. But without oversight, it just opens itself up for abuse, I think. And I think that's what we're hearing, that this has occurred. And we don't know how deep it is because we haven't delved into it as deeply as we probably should.

Let me tell you what happens in the private world of Medicare. As a physician, if I go out and pull some of the stuff that happened here, I end up in a Federal pen. There are huge penalties against what we've done and what has happened here without contracts. If you do that in the private world under a government contract with Medicare, you're in deep trouble in the private world.

I have heard maybe two people lost their positions from this. And that continues to be a problem with the VA, is no one is held accountable when these egregious events occur. And it's just business as usual.

And, look, I get it. It's a whole lot easier to take your credit card and just purchase something than it is to go out and get a contract. That's a lot simpler to do and you circumvent a lot of issues and problems, but it's not the way the business needs to be done.

And I'll get to a question.

Mr. Frye, Colonel, thank you for your service. In any of the reviews you've conducted, have you found examples of unauthorized purchase cards used in retail businesses like Amazon or PayPal or things like that?

Mr. FRYE. As a matter of fact, when this subject first emerged in October of 2013 we did hear that there were some charges made in the VA central office for PayPal, Amazon.com, and, as I recall,

some steakhouses, and there seems to have been one other, which I can't remember. I don't know whether those were adjudicated, but the head of the contracting activity at that time in the VA central office informed myself and Mr. Haggstrom of these issues.

Dr. ROE. And, Ms. Halliday, did the OIG find any inappropriate purchases to retailers?

Ms. HALLIDAY. In our annual risk assessments we consistently identify transactions we think are high risk or suspicious. We had teams go out and look at some purchases where we identified in Las Vegas where there was rooms at casinos, there was alcohol purchased, things like that. And as they drilled down, and this is very resource intensive, we found a preponderance of transactions that were made for veterans. Happened that the liquor store, the shuttle bus was right near the hospital, they were filling up gas there. The casinos, the veterans placed in those rooms at night had gone through chemotherapy and they were too sick to drive home.

So it's very hard to find where you find absolute fraud and the intent for personal gain. And that's why I think so many of these ratifications are occurring, because the VA has gotten the benefit. There are costs associated with that, excessive prices, things like that.

When we find an issue that we absolutely think is fraud, we hand it over to the Office of Criminal Investigations, and Quentin's group would take that, and that is also very resource intensive.

I'd like to ask him to talk to an issue up in East Orange that I think you might.

Mr. AUCCOIN. We conducted an investigation in East Orange. We had a senior supervisory engineer that had brought in a contractor of his choosing. And there are two parts to this. Part of this was a service-disabled veteran-owned business fraud, but also there was a huge element of purchase card fraud. There were a lot of transactions set up to be below the thresholds for additional scrutiny, and they processed so many that we had about \$3.4 million of purchase card fraud at this facility.

That case is now pending sentencing. There has been a conviction. And the splitting of purchase cards was one of the ways they used to conceal this. And upon conviction, we brought in our audit group, and they're doing some follow-up work to see if they've cleaned up their act, but also this is something that we can certainly look at, at other facilities.

Dr. ROE. So the more you continued to drill down, the more you found, is what I'm hearing.

Mr. AUCCOIN. Yes. Absolutely.

Dr. ROE. I don't think we started the buzzer. I've had more than adequate time. And I just want to finish by what Colonel Frye said. What happened to duty, honor, and country? Yield back.

Mr. COFFMAN. Ranking Member Kuster, you are now recognized.

Ms. KUSTER. Thank you very much, Mr. Chair. And I apologize. I was at a markup in the Ag Committee.

So thank you all for being with us. And Mr. Frye certainly shared my shock reading The Washington Post this morning with my colleagues on both sides of the aisle. I am concerned, though, about allegations, and maybe it was misquotes, but it's a pretty severe allegation to say that people might have died for this, and I

think if we don't have examples of that, it would be best not to sort of catastrophize. But I do understand that this is a serious problem.

So I want to drill down a bit, if I could, and either for Ms. Halliday or for Mr. Frye, if you have further information on this. I want to drill down on the thousands of pharmaceutical purchases and prosthetic purchases without contract files to document the purchases, whether they were included in this figure of 15,600 unauthorized commitments in the IG report. If you know the answer to that, that would be helpful.

I'm trying to narrow the universe as to what is the most typical transaction and how this committee, subcommittee, can narrow in on changes to improve procedures going forward. So if you could, pharmaceutical purchases and prosthetics.

Mr. FRYE. Let me start with pharmaceuticals. I don't know that we have any issues in pharmaceuticals right now. We have issues that were reported to this bigger committee, the entire committee back in 2012.

Back in 2011, in December of 2011, to be exact, the Secretary wrote a letter to Congressman Donnelly and said that our illegal activities had ended. Between December 2011 and August of 2012, the VHA self-reported 9,700 illegal transactions in the purchase of pharmaceuticals. Those transactions were never reported to Congress that I know of, they were swept under the rug.

And, frankly, when a report was submitted by Mr. Haggstrom and others, and some of the people at the table were signatories on that report, they simply omitted those figures on a document that was presented to the Secretary to tell him about the health of the Department of Veterans Affairs. I consider it an absolute lie. It should never have taken place. I was not a signatory on the document, for obvious reasons.

Now let me go to prosthetics. Prosthetics, as I stated earlier, we found in 2013, at the same time, and I may have my years confused here because I don't have notes in front of me, but at the same time we found that we had 2,000 purchase cards that had been provided to personnel who didn't have authority to use the purchase cards over the \$3,000, we at the same time discovered that prosthetics personnel were buying prosthetics without contracts. They were simply making phone calls to their suppliers and buying prosthetics and then liquidating that obligation with a government purchase card.

In a normal situation where you have a contract and you buy something, that something is verified by the receiver, usually a contracting officer representative or somebody in the hospital, they check the block and say, we got it. That receipt then goes to the finance center. The finance center takes a look at that receipt that's now payable and they confirm that there is a legal obligation for that product.

If there is not a legal obligation, in other words, if they don't have a contract number, they get ahold of the person that was responsible and tell them: We've got a problem here. We've got an unauthorized commitment. A ratification has to take place.

By using the cards, the purchasers simply ignore that process. They're able to liquidate that unauthorized commitment, no pain,

no stain, nobody ever knows. The only people who would know are the people that run the Purchase Card Program or the people that run the contracting program in the organization where those infractions are taking place. And that's what's happened in——

Ms. KUSTER. Is there——

Mr. FRYE. Go ahead.

Ms. KUSTER. I want to understand. Is there any record of the prosthetic? Because, I mean, we had a hearing recently about trying to keep track of an identification. So for recalls and the like, you're telling me there's no paperwork, there's no file, there's no record of this purchase other than perhaps the monthly card statement?

Mr. FRYE. There was undoubtedly some record of the purchase, because they paid for that purchase with a purchase card, but there is supposed to be a contract. Federal law requires contracts be put in place for all requirements above \$3,000. They must have a contract in place. Something as simple as determining a fair and reasonable price can only be made by a contracting officer, no one else, by law.

Ms. KUSTER. My time is up. Thank you.

Mr. COFFMAN. Mr. Huelskamp, you're now recognized.

Dr. HUELSKAMP. Thank you, Mr. Chairman. I appreciate you calling this hearing on a very important topic.

A headline in one of the newspapers was \$6 billion in illegal spending. Mr. Frye, I can't find that figure. What's your range guesstimate? \$6 billion that I see, \$6 billion to \$10 billion. Which are you suggesting?

Mr. FRYE. Well, first of all, I never intended that document to be sent to the press. I intended for the Secretary, when I sent it to him 7 weeks ago, my intent was to do what he asked us to do, which was to give him information that he might be able to act upon.

Those ranges are there because we know we spend \$5 billion a year in fee basis care, and that's where you walk—a veteran like myself walks into a VA hospital, for instance——

Dr. HUELSKAMP. I want to follow up on the Secretary issue, but \$6 billion, is that the bottom line? Is it \$6 billion to \$10 billion, is that where that figure comes from?

Mr. FRYE. Without a proper investigation, we'll never know.

Dr. HUELSKAMP. No, I understand.

Mr. FRYE. But I'm confident that it's at least \$5 billion.

Dr. HUELSKAMP. Okay, I appreciate that.

My second question would be, you sent that letter to Secretary McDonald. What was the response from his office?

Mr. FRYE. I have not received a response from his office.

Dr. HUELSKAMP. Allegations of up to \$6 billion in illegal spending, and you have had no response from the Secretary's office?

Mr. FRYE. I have not had any response from the Secretary's office. I know that he received it, because his assistant assured me that both he and Deputy Secretary Gibson had received hard copies.

Dr. HUELSKAMP. I appreciate that.

And, Mr. Chairman, I don't know who was called in as a witness, but I think that's devastating, that these type of allegations and no

response. Perhaps Mr. Murray is here to respond to that. But I want to ask Mr. Murray about another issue.

In Mr. Frye's letter to the Secretary, when did you read that letter?

Mr. MURRAY. I have not seen that letter.

Dr. HUELSKAMP. You're here to discuss this this morning. When were you aware of the letter?

Mr. MURRAY. I just found out about this letter this morning.

Dr. HUELSKAMP. How did you find out about it?

Mr. MURRAY. Through discussions with people here.

Dr. HUELSKAMP. I guess I'm dumbfounded. You're here to speak for the VA about allegations of \$6 billion in illegal spending and you've never seen the allegations?

Let me ask you about a meeting July 11, 2014. According to Mr. Frye, you were at a meeting discussing many of these issues. Do you recall this meeting? Were you actually present there?

Mr. MURRAY. If this was a Senior Assessment Team meeting, I was.

Dr. HUELSKAMP. Okay. Did you keep notes of this meeting?

Mr. MURRAY. I do.

Dr. HUELSKAMP. Will you provide those notes to the committee?

Mr. MURRAY. I absolutely will.

Dr. HUELSKAMP. Okay.

Mr. MURRAY. Along with our request to Mr. Frye to provide the information he alleged he had from the——

Dr. HUELSKAMP. Actually, sir, I make the requests, not you.

Mr. MURRAY. Okay.

Dr. HUELSKAMP. But I would like to see those notes. Mr. Frye alleges that it was proposed by top-level officials that violations of the law would continue. Tell me what you heard at that particular meeting and were you aware of Mr. Frye's concerns.

Mr. MURRAY. So Mr. Frye raised his concerns with the CFOs at the senior assessment team meeting. The particular item that was being—being reviewed at the time he raised those concerns was the medical necessity documentation that a physician or clinician would provide to authorize care. It was not a contracting issue, but he raised the issue of contracting to wit we—we said let's get a team together, let's review these allegations, let's see the data that you have on this particular issue, the——

Dr. HUELSKAMP. Did he say he thought the VHA was violating the law at this meeting?

Mr. MURRAY. I'm sure he did.

Dr. HUELSKAMP. Well, I don't know. You were there, I was not, Mr. Frye was there. Did he say that?

Mr. MURRAY. Yes, I believe he probably—yes, I would say he did.

Dr. HUELSKAMP. Okay. Well, we'll find that in the notes where you referenced it. Did you do anything with that information? Now you're in a position to do something with it, I guess, for 5 weeks now.

Mr. MURRAY. We did. We—so based on that meeting, we put together a work group to—to review these allegations. They were serious allegations. The work group did meet with VHA. Jan Frye did not attend, so the idea was to get to the bottom, to get the data

that apparently would either substantiate or refute these allegations.

Dr. HUELSKAMP. I hope you can provide that to the committee. Last question would be, I guess, for you, Mr. Murray, I'm about out of time for the first round. How many active purchase cards are available to VA employees?

Mr. MURRAY. I believe the number is about 25,000.

Dr. HUELSKAMP. 25,000 cards. How many employees are authorized to use 25,000 cards? Is that the same number or is it—

Mr. MURRAY. No, no, fewer employees have cards. So total cards is 25,500, roughly.

Dr. HUELSKAMP. I would like documentation of that.

Mr. MURRAY. Sure.

Dr. HUELSKAMP. How many employees are using—

Mr. MURRAY. I have 23,000 cardholders.

Ms. RICE. How many?

Mr. MURRAY. 23,500 cardholders—25,515. I mean, the number is ballpark, but cards.

Dr. HUELSKAMP. And are you able to indicate how many dollars of annual purchases are on these 25,000 active cards?

Mr. MURRAY. \$3.74 billion is spent, of which 98 percent is the health administration.

Dr. HUELSKAMP. Okay. Who is the card—the company that issues those cards, who's the vendor for that?

Mr. MURRAY. That's U.S. Bank.

Dr. HUELSKAMP. U.S. Bank. All right. I yield back to my next round of questions, Mr. Chairman.

Mr. COFFMAN. Thank you, Mr. Huelskamp.

Ms. RICE. you are now recognized.

Ms. RICE. Thank you, Mr. Chairman.

Mr. Frye, I want to start with you. So these cards that are issued, whoever is issued those cards is able to make a purchase up to \$3,000 just without any record kept; is that correct?

Mr. FRYE. The purchases made up to \$3,000 are called—are called “micro purchases.” There are records kept. The purchase cardholder must keep records, and then the purchase cardholder has someone who provides oversight to that cardholder, and normally these approving officials, or authorizing officials, have a number of cardholders under them, so records are kept.

Ms. RICE. Okay. So anything over 3,000—

Mr. FRYE. I'm sorry?

Ms. RICE. Anything over—any purchase over \$3,000 requires a contract?

Mr. FRYE. That's correct. Every purchase over \$3,000 requires a contract. The card can be used above \$3,000 to pay for those products that are bought under a contract, but it is not a contractual instrument. A contractual instrument must be in place, by law, above \$3,000.

Ms. RICE. And who enters into that contract? The cardholder?

Mr. FRYE. No, cardholders, unless they're also—

Ms. RICE. There has to be an existing contract within VA.

Mr. FRYE. There has to be a contracting officer above—

Ms. RICE. Got it.

Mr. FRYE [continuing]. \$3,000.

Ms. RICE. Okay. So the one thing I'd—I just want to ask you very quickly. The—in New York, obviously I'm from New York, so I was a little surprised at this, there was recorded \$50 million in prosthetic purchases in increments of \$24,999, which is \$1 under the charging limit on each card. Is that—and maybe I should direct this question to you, actually, Ms. Halliday, is that a red flag?

Ms. HALLIDAY. It's definitely a red flag. We look at the splitting of orders. This is part of the problem in one of the high-risk areas that I identified that we focus on the transactions and try and take a closer look.

Ms. RICE. So did you take a closer look at this instance of all the—

Ms. HALLIDAY. No, I was unaware of the example that Mr. Frye put out there.

Ms. RICE. Would you be able to go—I mean, upon a request of this committee.

Ms. HALLIDAY. Obviously we could look at that, and we would want to do that. I've stood up an entire new financial integrity team to put more oversight under these purchase cards because the value of the purchase cards is just skyrocketing, and I never saw that the controls were getting strong enough to make sure that the program was run effectively.

Ms. RICE. Well, to me, that's a major red flag, and I appreciate your willingness to go back and look at that. You made a statement before the controls were fixed, but the VA—by the VA, but that compliance is still something that the VA struggles with. In your opinion, why?

Ms. HALLIDAY. Holding people accountable to make sure that they really execute their job. I think, in many cases, purchases made using the purchase cards, they always say, well, they needed to get immediate services to the veteran in the medical center. And then when you look at the type of purchase, you're like, really, that's just not the case.

It's lack of planning, but by using a purchase card is a quicker method to get the goods and services into the medical center.

Ms. RICE. That's if you're using it to purchase goods and services.

Ms. HALLIDAY. Correct.

Ms. RICE. Okay. So—

Ms. HALLIDAY. You know, we—we struggle with when there is fraud, a lot of times the documentation is just not there, or the audit trail to really look at it because it's been destroyed.

Ms. RICE. So let me ask you—oh, that's the another thing that I want you to look into because when they were asked for the records regarding the prosthetic purchases in New York, they were told that all the records were destroyed by Superstorm Sandy—

Mr. COFFMAN. Is that right?

Ms. RICE [continuing]. And they have not been—right? And they have not been able to document that to—I mean, we don't know that that's true. So maybe you could also inquire into that as part of looking into that.

So I'm just going to ask you two questions to see if you can give a specific number. In the past 2 years, how many instances of fraud, waste, and abuse with purchase card use were found by you?

Ms. HALLIDAY. I can't get that number. I have to submit it for the record.

Ms. RICE. Okay. So that, and what was the percentage of fraud, waste, and abuse found out of the total number of purchase card transactions during this time period as well? That would be great if you could look into that as well and get that number to us.

So, Mr. Murray, I just have one question for you, and this is just an observation that I have made, and it's very disturbing. I understand that you were sent here and I understand that you have a role to play, but I have—I don't think I have ever seen a member of the VA come before this committee in the relatively short time that I have been here. I've been here for about 5 seconds, right, but I haven't seen one member of the VA come and talk about whistleblowers and how they're treated, a lack of retaliators being held accountable, this allegations of waste, fraud, and abuse with all this money, and show any level of outrage. Can you explain that to me?

Mr. MURRAY. I am outraged. If the allegations are correct, I am very outraged, and we take our program responsibilities very seriously. We closed the IG recommendations in a year. I meet with Ms. Halliday and her team quarterly.

Ms. RICE. So your response to her saying that while you have—controls were fixed by the VA and yet she still sees a difficulty in compliance by the VA, what is your response to that, and maybe you can—do you have a reason for the lack of compliance?

Mr. MURRAY. When we meet with the IG on a quarterly basis, we take everything seriously. We look at these compliance issues, but a lot of what we see is personal responsibility at a local level.

For instance, let me explain. So a cardholder doesn't make a purchase by themselves. They have to get their supervisor or approving official to approve it. That approving official needs to reconcile those transactions with U.S. Bank and certify they've reconciled them at the end of every month.

We review those reconciliations and follow up with the field for those self-approving officials that have not been executing their fiduciary responsibilities. So, you know, we put in place at the departmental level every detective control and strong policy on people's responsibilities. For instance, the cardholder is supposed to keep records of all the receipts. The approving official is supposed to ensure that that—those items were, in fact, receipted for, received for, and that they were good goods.

So there is a hierarchy of—of strong policy requirements to have a card. In fact, you have to take training to get a card, not just on the card itself but on authorized commitments.

Ms. RICE. No, I understand that, but clearly those systems are not working. Just Mr. Chairman, with your indulgence. I'm 1 of 10 kids. If my parents gave all of us a credit card, none of us would have gotten a college education, and that's 10 people. You're talking about 25,000—35,000—25,500 credit cards. I think that has to be looked at as well. That number is just enormous.

Thank you, Mr. Chairman.

Mr. COFFMAN. Thank you, Miss Rice.

Ms. Walorski, you are now recognized.

Ms. WALORSKI. Thank you, Mr. Chairman.

Mr. Murray, I just have to ask. You know, I guess to echo many of the things that have just been said here, we have—I've been on—this is my third year on this committee, and the questions I get asked at home after people watch these hearings on C-SPAN, Americans are listening, Americans hear this, Americans are at the table, and the expectation for transparency and accountability has never been higher in this country, and it's been a year since we've had a transfer of Secretaries, but the requirements of the American people are enough's enough.

And what I get asked when I go home is this question: How do you guys individually not have a gut check on doing right for the sake of right? So Mr. Frye identifies this, he comes and he talks about it, and you are aware of it. You stand under a subpoena in front of a committee that has heard these same stories in just about every area of the VA for 3 years and longer. Mr. Frye talked about having issues longer than I've been here, and doesn't—didn't you have a gut check when these allegations came up that even though the VA has been operating illegally for all these years, that when it's on your watch, that something in your gut says, "You know what, we have to stop this, this is wrong, it's illegal activity," did that ever dawn on you that this is illegal activity?

Mr. MURRAY. We have strong—we have a group of—the office of business oversight that actually goes out and checks these things.

Ms. WALORSKI. That's not the question, and the question isn't about the work group. Mr. Murray, do you now think that what was going on in the place that you worked was wrong and that some day, with all the oversight going on with the VA, you're going to sit here under oath with a couple of hours' notice and you're going to say what to the American people? Do you think what happened is wrong?

Mr. MURRAY. So, you know, we've spoken to our office of general counsel. I've spoken to contracting officials in the health administration. There are different views.

Ms. WALORSKI. What's your view, Mr. Murray? You're employed, you're under oath to stand here and represent the entire Veterans Administration. You are sitting here telling us what? This is okay? You were compliant with it? It's wrong, you knew it, you agree with Mr. Frye? What's your gut say about it?

Mr. MURRAY. My gut is that the—a lot of different parts of the organization have looked at this issue and that there are—are different views on this issue.

Ms. WALORSKI. Mr. Murray, I'm asking you.

Mr. MURRAY. And it is a complicated issue.

Mrs. WALORSKI. With all due respect, you're representing the VA today. I have, you know, three-quarters of a million people that pay me to do a job, and the job is to ask you, because America's up to here, right, with many areas. You are sitting here today, and you're saying what? Do you believe this is right or wrong? Are these allegations right or wrong? What does your gut say? It sounds like you're taking the Fifth.

Mr. MURRAY. So—so—but my—so what I do know is that 99 percent of these purchases above \$3,000 are prosthetics and sensory aid purchases, and there is ambiguity in those type of purchases, what the controlling legal authority, I think is what they call it,

Norb, is. And under the Choice Act, for instance, and I think there's legislation up here now to provide the VA some flexibility on how we—how we procure, at least care in the community in this case. And so the whole—the whole issue to me is there is no—there are differences in opinion from very, very senior people on.

Ms. WALORSKI. Sir, I understand that. Were you afraid of losing your job if you identified this? Were you afraid of your job security of raising flags?

Mr. MURRAY. I am trying to give you the—I'm giving you the answer that—there are different people at this table, you would get a different—

Ms. WALORSKI. But I'm not asking the other people at the table, sir. We have an inspector general who has been reliable. We have a whistleblower who I thank again for every whistleblower that comes in here. We are trying to get to the bottom of this to help put the pieces together because we want the VA to work.

So my question is, is this right or wrong? What does your gut say? I'm going to take that as you're taking the Fifth, and I guess, you know—Mr. Frye, I want to again thank you for the multiyear commitment you've made to this, and our district, obviously, is very active. I mean, the second district now as well, and we are very active because of the amount of veterans and families we have. But I think that when America sees this kind of response, you know, again it begs the question from you, has this department that Mr. Murray been involved in, have they done enough to correct this issue? Do you see the remedial steps they've taken as being enough?

Mr. FRYE. Absolutely not. I brought these issues up time and time and time again. Those of us who bring these issues up are scorned, shut aside. For the last 4 years I have—I have been shelved because I—because I went to Senator Donnelly—

Ms. WALORSKI. Yes.

Mr. FRYE [continuing]. Then Representative Donnelly and reported the wrongdoing in the VA. I guarantee you that those who—those of us who want to do right are shoved to the side. And that is what's happened over at the last 4 years. But I've been—I've got record after record where I've addressed these issues in emails. There are people that have heard me say this below VA about these issues in meeting after meeting after meeting, and people simply don't want to hear it.

Ms. WALORSKI. I appreciate it. I yield back my time, Mr. Chairman.

Mr. COFFMAN. Chairman Miller.

Mr. MILLER. Mr. Coffman, I would yield my time to Mr. Walz first, and then I—

Mr. WALZ. I will pass to you, Jeff. Thank you.

Mr. MILLER. I hope VA is embarrassed, ashamed at the way they treat the people that try to bring problems forward. I'm tired of hearing the same thing over and over and over again from the VA. Nothing is changing. Regardless of what leadership is telling this committee, nothing is changing.

I talked with the Secretary, and he says, you know, this committee needs to quit looking in the past. We need to look at where VA is going. I don't trust where they're going. I don't think you

know where you're supposed to go. The whole idea is to serve those who have served this Nation, not to build a bureaucracy that serves itself.

I came into this hearing because I had been monitoring on my television in the office, and I couldn't believe the lack of specificity that we were hearing, how poorly people have been treated. The Office of Inspector General has a job to do, and sometimes we get crosswise with them, but that's okay. But on this instance they are dead on the mark. And to let this continue on and on and on and not be furious about it defies anybody's rational thinking. And I hope the Secretary hears back from you that this committee is not going to take any more steps of faith with the VA.

Our patience is gone. The American public's patience is gone, and the veterans of this country are not being served appropriately. So Mr. Chairman, thank you and to your ranking member for holding this hearing, and I'm sure that there will be more than just this. I am speechless, absolutely speechless. I yield back.

Mr. COFFMAN. Thank you, Chairman Miller. Dr. Benishek, you are now recognized.

Dr. BENISHEK. Thank you, Mr. Chairman. Well, I, too, am truly amazed by the testimony that we've heard here today, and I think it brings to mind, frankly, for me, a piece of legislation that I have been trying to get forward here, and that is to—when the Office of Inspector General identifies a problem with the VA, it seems like there is nobody in charge of solving the problem.

So I'm trying to have a piece of legislation that makes—identifies an employee who is supposed to deal with the IG report, identifies them by name, and then makes them comply to the IG report within 30 days or that person gets disciplined. I mean, I think that's a reasonable thing, because right now, we have Ms. Halliday talking about stuff, we have Mr. Frye, but nobody seems to be the person in charge of fixing it. That's—I see as a common theme whenever this stuff comes up here in this committee.

Ms. HALLIDAY, do you think that's a reasonable idea that—I mean, a lot of times the VA will agree with your findings and never act on it. Do you ever see that happen?

Ms. HALLIDAY. Absolutely. First, when we give them recommendations, we believe that they're telling us in good faith what their corrective actions plans are, and what their implementation schedule is. The reason we do follow-up is to find out if the actions have been effective. So we see that all the time.

Dr. BENISHEK. You know, the——

Ms. HALLIDAY. As far as——

Dr. BENISHEK. Yes, go ahead.

Ms. HALLIDAY. As holding someone accountable, I would want to tie it to the senior official or the program official responsible, not just a person in administration.

Dr. BENISHEK. Yes, well, I want to see some somebody's name, because otherwise they all say, well, nobody ever took care of this, and it wasn't me who was responsible for it. And this is in response to IG reports that have gone over 30 years as far as physician recruitment that you've made recommendations like eight times in the last 30 years. The VA has agreed with you, but they never implemented the changes that you recommended over 30 years, and

this is just another example of nobody being responsible for doing anything to fix this problem.

And Mr. Frye, I must congratulate you on your efforts. I'm very disappointed in Mr. Murray's testimony here today, but just as—I agree with the chairman, this is just outrageous and another example of what's going on here, and my disappointment for the administration here is exceedingly high at this point. I yield back.

Mr. COFFMAN. Thank you, Dr. Benishek.

And Chairman Miller, you had mentioned another hearing on the topic of procurement, and this subcommittee will hold another hearing on the 1st of June.

Let me just say, Mr. Murray, I think you're one of the reasons why Secretary McDonald is failing. Simply because of the fact that he's unwilling, when he came aboard, to remove what I would consider the deadwood that is not leading this agency, and you're absolutely doing nothing to make a difference on this issue, and I—I'm very disappointed in your testimony today and in your conduct in this committee. Okay.

Mr. Frye, can you speak to the potential that one person might be buying, paying, and receiving goods in VA and what pitfalls that creates?

Mr. FRYE. Absolutely. We need a separation of duties. If, for instance, a person is issued a card and if that person buys a product with that card, and then pays for the card at the same time, there's a chance for waste, fraud, and abuse.

So, for instance, if we have a contracting officer who also has authority to pay above the \$3,000 threshold, and they write a contract and products, let say, are delivered, let's say for the sake of argument they're televisions and they have those televisions delivered to their house and they're also able to pay for those televisions, perhaps no one would ever catch that problem. So we must have a separation of duties.

Mr. COFFMAN. Mr. Murray, in your testimony you indicated that VA employees made 6.1 million transactions in fiscal year 2014. Does U.S. Bank card charge a transaction fee?

Mr. MURRAY. They do, but we receive rebates for every charge that VA makes.

Mr. COFFMAN. So is there a net cost to the taxpayer?

Mr. MURRAY. There is not. In fact, we got \$75 million in rebates back to the appropriation from which those costs came from last year in fiscal year 2014.

Mr. COFFMAN. So it's a real benefit to U.S. Bank Corp then?

Mr. MURRAY. Excuse me, sir?

Mr. COFFMAN. So it's—you see it as a benefit to the VA?

Mr. MURRAY. Sir, the card program was established primarily for small items below the micro purchase of \$3,000 threshold.

Mr. COFFMAN. We know that's not happening. We know that they are breaking the purchases up and doing things that were in violation of current law. We know that; is that correct?

Mr. MURRAY. We have examples of it.

Mr. COFFMAN. We know that. Mr. Murray, in 2012, VA confirmed that employees were using purchase cards even though they did not have the legal authority to obligate the government or to use the cards.

Given the risk to VA, as the OIG can attest, why is VA allowing this practice to continue, and why is no one being held accountable for breaking regulations in the law?

Mr. MURRAY. So VA, we took strong measures upon learning of this, so in 2013, the only way an individual, a cardholder can hold a card is if they have a contracting warrant. And we now check the warrant before the individual gets the card to make sure they have the warrant before they get the card with the—a threshold above \$3,000, and we also check on a periodic basis to ensure that they haven't left the agency, they haven't left their position, their warrant hasn't changed, so we put a strong control there in that only warranted officials, contracting officials, can purchase above the micro purchase threshold.

Mr. COFFMAN. Mr. Murray, we have evidence that there are people that do not have the authority that you have stated that they have that are still using those credit cards. Are you aware of that?

Mr. MURRAY. I am not.

Mr. COFFMAN. Do you go out of your way to become unaware?

Mr. MURRAY. No, sir. We do these checks on a weekly basis. We rely on the Office of Acquisitions to provide us accurate and complete warrant information. My staff very diligently check the cardholder or thresholds against those warrants, so no—and the minute we determine that someone no longer has a warrant, we reduce the card to a dollar and then close it if they can't produce it.

Mr. COFFMAN. Mr. Frye.

Mr. FRYE. Yes. Let me respond to that. It is important, it's absolutely essential that whomever has a card with authority above \$3,000 has a warrant, but that's only one of two elements. The other element is, is there a contract in place? The card is issued for a single purpose, above \$3,000, and that's to pay the bills, so to speak, for products that are purchased through this contract.

So I applaud the improvement in making sure that people have warrants, but what we've got to do is make sure the contracts are put in place as well, and that is the piece that has not been looked at effectively. We certainly found that beginning in December of 2012 and on into 2013 when we put the procedure in place so that prosthetics personnel would hopefully quit—even though they had warrants, they were buying, and buying millions of dollars' worth of products without contracts. And hopefully we put that to bed now. But again, as I said, I was in a hospital just several months ago, and in that hospital they claimed they had just stopped that illegal practice in October of 2014.

Mr. COFFMAN. Mr. O'Rourke, you are now recognized.

Mr. O'ROURKE. Thank you, Mr. Chairman.

Ms. Halliday, do we have any idea of how these failures compare to those that we might find in other Federal departments or agencies? In the backup that I read for this hearing, there were instances within the Department of Homeland Security and the Department of Defense where you had abuse or lack of safeguards in purchase cards. Can you shed some light on that?

Ms. HALLIDAY. I think that there's several Federal agencies struggling with these same issues. To the extent that they hold their purchase cardholders accountable and their approving officials, you're going to have differences. I saw that GSA ranked their

program medium risk the same as I've ranked this, and I want to clarify something on that for you.

I clarified it medium risk because at 2 percent of the total value of the purchases, I'd have to find some \$72 million worth of fraud, and I hadn't found that. My unauthorized commitment report was over 2 years, 85, so half of that.

I do think that our problems are pervasive enough that this needs attention. The way to get to that attention is to make sure we hold the approving officials responsible. They're down at the lowest level looking at these cards, looking at the justification, the need, the appropriateness of the buying, and I don't see that as happening.

Mr. O'ROURKE. Yes. So perhaps relative to other Federal departments, this is a similar problem, and you know, despite, I think, some very valid concerns raised by Mr. Frye, we don't have any proof yet of specific instances where someone has died or been injured because of this practice. You gave us an anecdote that helped show us that at least so far, this money wasn't used for poker chips and booze. You know, maybe there are instances forthcoming that we should know about, but it's deeply troubling nonetheless.

But what makes it absolutely unacceptable is that this just follows in a litany of unaccountability at the VA, and it's the \$1.1 billion overrun in Aurora, it's the Choice program yesterday that we heard about which was budgeted to be spent, the entire \$10 billion within the next 6 months, and we've only spent \$500 million.

So it really raises profound concerns about control and accountability at the VA, and whether we use your number of \$85 million in the last 2 years that were unauthorized or we use The Washington Post \$6 billion number, the fact that only two people have been disciplined in any significant way, they both lost their jobs to this, makes me uncomfortable with where the VA is going.

And I appreciate Mr. Murray's answers to our questions. But really we need the Secretary to respond to this.

And I 100 percent agree with him that we need to be need to be focused on the future and getting this right for the veteran going forward. But unless we're sure that these concerns have been addressed—and I'm not, following all of these instances and the hearing today—it's hard to have that faith.

And when the VA asks us to expedite the purchasing program going forward it makes it hard for us to do that. When the VA says let's shift a billion dollars over from this account to the other, this lack of control and accountability gives me some pause in authorizing that.

So I really appreciate, Mr. Frye, your work on this, Ms. Halliday, what you've shed light on, and also hopefully your commitment to further investigate some of the issues that have been brought up by different members of the committee. I think we're all interested in those answers.

And I think this committee certainly wants to be a constructive partner with the VA. I want to find a way that we get these things addressed. Because in El Paso and almost every other congressional district we are still seeing wait times 1 year later after Phoenix that have not improved at all, despite the billions of additional

dollars that have been authorized and the hundreds of millions of dollars that have been obligated.

So we really need some significant, bold, dramatic change. It has to be in accountability control.

Ms. Halliday, you mentioned this erosion in the public's confidence in the VA. I mean, this is one more cut against that. And I'm really worried about this.

And so look forward to hearing from the Secretary on how we can be his partner in getting this fixed, but we need to see a demonstration on the part of the VA that they take this seriously. So I appreciate everyone's work on this.

And I yield back, Mr. Chair.

Mr. COFFMAN. Thank you, Mr. O'Rourke.

And after this committee meeting, we'll be distributing some reports whereby the Veterans Administration did purchase drugs and tissue on the open market and found it to be contaminated.

Dr. Huelskamp, you are now recognized.

Dr. HUELSKAMP. Thank you, Mr. Chairman.

And after 8 weeks since the memo was sent that they indicated that there was a mockery of spending rules, I guess I'm still stunned that Mr. Murray was unaware of the memo till this morning.

But, Mr. Doyle, you've been here and haven't had the great opportunity to answer many questions. When were you aware of the memo from Mr. Frye?

Mr. DOYLE. This morning.

Dr. HUELSKAMP. This morning.

Mr. DOYLE. I read it in the news clips, yes, sir.

Dr. HUELSKAMP. And your position at the VA is what again?

Mr. DOYLE. I am the Chief Procurement and Logistics Officer for VHA.

Dr. HUELSKAMP. Don't you think you should have seen this memo that had allegations of \$6 billion in improper spending, most of it directly beneath your purview? Don't you think you should have heard about this before today?

Mr. DOYLE. It was shocking, the memo, even the existence of it, I guess, but I imagine I've heard issues that were brought up in the memo before.

Dr. HUELSKAMP. Do you have authority over VHA contracting officers assigned to procure prosthetics?

Mr. DOYLE. Yes, I do.

Dr. HUELSKAMP. In the memo, Mr. Frye alleges that you claim to have no such authority. So is that incorrect in the memo?

Mr. DOYLE. Well, a little bit of history, sir. It's really a split. Three years ago we came before some subcommittees, I believe this one, on what we called the prosthetics transfer at the time. For whatever reason, in VA, years ago, people who were not contracting officers had contracting officer warrants. We started that process to take the warrants back from all the people in pharmacy, logistics, sterile processing, and prosthetics.

That was a deliberate process, and we were very deliberate about it because we did not want to hurt veterans at the end of this process. It's a quality of life issue for an individual veteran. We wanted to make sure we did not impact that.

We finished that process in October 2013. Since that point, every procurement above \$3,000 in prosthetics is bought by a warranted contracting officer. Now, I say that, that's only, although that's still close to 100,000 actions per year, that's still only 3 percent of the overall prosthetic actions. Less than \$3,000 are bought by the procurement folks who work under the purview of the medical center directors.

Dr. HUELSKAMP. Now, I've got concerns about under \$3,000. I have concerns about over. One thing I'm not clear, I understand the \$3,000 threshold, but what is the cap per card? What is the maximum that can be charged to each card?

Mr. DOYLE. It varies. It depends on what limits that are asked for and approved for that individual. There's a \$3,000 cap for an individual procurement usually. It doesn't even have to be up to \$3,000. But then there are, I think, monthly, monthly limits on how much can be procured in total for that individual.

Dr. HUELSKAMP. What's the maximum allowed on any card? Maybe Mr. Murray has that answer.

Mr. DOYLE. Well, if it's a contracting officer who has the card, it's the limit of that contracting officer's warrant. If it's below—

Dr. HUELSKAMP. What is that limit?

Mr. DOYLE. Well, it can vary by the contracting officer.

Dr. HUELSKAMP. What's the highest limit?

Mr. DOYLE. Well, the highest is, for contracting officers, an unlimited warrant.

Dr. HUELSKAMP. Unlimited, there is no—

Mr. DOYLE. Unlimited, yes, sir.

Dr. HUELSKAMP. Okay. I had seen some figures somewhere about \$150,000, but it's unlimited.

Mr. DOYLE. Well, subcontracting officers have a warrant that's limited to \$150,000, some might be a million. It varies depending on the—

Dr. HUELSKAMP. On the—and maybe Mr. Murray—we have 25,500 cards. Is that active?

Mr. MURRAY. That's correct.

Dr. HUELSKAMP. And do you know the cumulative limit of those cards?

Mr. MURRAY. I'd have to get back with you with that number.

Dr. HUELSKAMP. Okay. And that number, that limit, if there is a limit, is that a monthly limit or is that a cap for a year or—

Mr. MURRAY. There's both single purchase limits, which means per transaction, as well as monthly totals that are allowed.

Dr. HUELSKAMP. And the variance in totals, that was for the monthly or the single purchase, single transaction?

Mr. DOYLE. Well, in the normal course of events an individual will have a card that authorizes them up to \$3,000. If an approving official decides that person does not need that \$3,000, that cap can be set at some lower dollar value.

Dr. HUELSKAMP. Well, I'm worried about the \$150,000 or the unlimited, which is no cap whatsoever, which seems to be a problem area.

And let me ask Ms. Halliday a question on split purchasing. Do you have any evidence that VA employees engage in split pur-

chasing transactions on their cards to steer contracts to favored vendors?

Ms. HALLIDAY. If they're splitting purchase orders and they're trying to stay below the threshold based on their authority, that to me isn't to steer to somebody. They're just making those purchases.

Now, do they have a favorite vendor like the chairman said? Possibly. They are circumventing Federal competition requirements.

Dr. HUELSKAMP. And, Mr. Doyle, are you aware of that occurring, and what have you done to stop that?

Mr. DOYLE. Unfortunately, split requirements do happen. I don't know if they go to their favorite contractor to benefit. The vast majority of unauthorized commitments, I'm convinced, because I cite the ratification actions in VHA, are for a bona fide need for that facility.

Dr. HUELSKAMP. It's not a bona fide need. It's being engaged in favoritism in the purchase. We're not saying the needs aren't. That's another question. But it's splitting purchase so you can avoid that cap, that threshold. Is that occurring, and what have you done to stop it?

Mr. DOYLE. I don't have a specific knowledge of it occurring. It may be someone gets steered to the IG.

Dr. HUELSKAMP. Could be in the memo. Could be in dozens of memos you've never seen. But I presume, since this has occurred, you've sent an email or contacted the Secretary's office to ask him why he didn't see the memo. Have you tried to contact him?

Mr. DOYLE. I would not contact the Secretary's office directly. I would go through my chain of command in VHA.

Dr. HUELSKAMP. Yes, well, you better hurry.

And I yield back, Mr. Chairman.

Mr. COFFMAN. Thank you.

Ms. RICE. you are now recognized.

Ms. RICE. Thank you, Mr. Chairman.

So, Ms. Halliday, I'd just like to go back, and I don't know if this has been touched on since I just had to run out. But during the course of your investigation did you see any, either during it or post issuing it, did you see any significant level of accountability for people who were engaging in fraudulent, wasteful spending with these cards by the VA?

Ms. HALLIDAY. I think I did cover it. No——

Ms. RICE. You didn't see any.

Ms. HALLIDAY [continuing]. Would be the answer.

Ms. RICE. Okay.

Ms. HALLIDAY. I do think when we identify an issue that goes to criminal investigations there are very specific actions that have to take place, criminal prosecutions, restitution, penalties, those type of things. I think our investigative group takes care of that to the extent that they know it's happening.

Ms. RICE. Now, is there anything that you think we could work with the issuing bank on? You know, if you are traveling abroad and you use your credit card abroad and it seems like it might be a fraudulent activity, they'll deny a charge to make sure that it's you.

And is there any way that you think—I mean, is that one of the recommendations that you made? Do you think that would be help-

ful? I mean, I'm just trying to figure out, if you're not going to close the universe of people who are given these cards and the ability to purchase money, purchase products that cost the amount of money that we're talking about.

Ms. HALLIDAY. Yes, I think the Office of Management has started to reduce the purchasing limits on the cards with inactive cards and not being able to demonstrate a need for the card. I would say, from an IG perspective, we do significant data mining and look for all those outliers and anomalies, and we do research as many of them as we can. Normally I pick financial risk or a pattern to see if there is a problem with fraud and then work with investigations.

Ms. RICE. Okay.

Mr. Murray, is there—I think it was Mr. Huelskamp that asked this question, I think, about the number of people who are held accountable. You gave us two, I guess it was a reprimand. What were the two things that could be done?

Mr. MURRAY. Removals. They were removals. We reported two removals.

Ms. RICE. I'm sorry?

Mr. MURRAY. Two removals. Dismissals, removals.

Ms. RICE. Okay. So from 2010, 2011 to—

Mr. MURRAY. It was three semi-annual reporting periods, so had to be about 18-month period.

Ms. RICE. In an 18-month period there were two people who were what?

Mr. MURRAY. Removed from service, dismissed.

Ms. RICE. Removed. Anyone reprimanded?

Mr. MURRAY. I don't have that information in front of me. I'm sorry.

Ms. RICE. The people who were removed, are you seeking to get restitution from them?

Mr. MURRAY. I'd have to get back to you with that.

Ms. RICE. Okay. So, Mr. Murray, the question I have is, if there is going to be real systemic reform at the VA, which everyone agrees that we need in a bunch of different areas, not just in the construction area but the actual procurement area, the actual getting medical care to people, the wait times, all of those things, would you agree with me that there has to be a significant shift in the culture at the VA?

Mr. MURRAY. Absolutely would agree with you, and I absolutely agree that Secretary McDonald is trying to shift the culture. And I believe that I am working with him, and me and my staff are doing our very utmost to try to move the culture to be more accountable and transparent.

Ms. RICE. And I do not doubt that at all, and I think that Secretary McDonald has that as his main goal as well. But my observation is that if you take any one of these cardholders who are abusing this system and taking money away from service to veterans, and they see their higher-ups coming into this room and testifying in the way that they do, that is not going to do anything to dissuade people from breaking the rules because they know that their higher-ups are going to sit at that table right there and they're going to defend the practice and never want to admit that they did anything wrong.

So they can act with complete impunity, it seems to me. So if there is going to be a shift in the culture, it has to come from the top, and the people underneath you have to know that when you come here and you're asked questions like this, you're going to say: You're right, this is horrible, and we are going to get to the bottom of it, and we are going to hold people accountable. It's just a thought.

Mr. MURRAY. Yes, ma'am.

Ms. RICE. Thank you.

Thank you, Mr. Chairman.

Mr. COFFMAN. Mr. Walz.

Mr. WALZ. Well, thank you, Mr. Chairman. Thank you and the ranking member for continuing to do what is asked and tasked and required of us in our oversight.

And I passed on my time earlier. Mainly the frustration that you heard out of the chairman and many of our members is where I'm at, and I want to get solutions other than just venting my frustrations, which I think is probably fairly important, though.

And again, Ms. Halliday, welcome, and I echo the sentiments of my colleagues. You've been here many times and been very helpful.

I used to have a saying when I'd be here that I'm the VA's staunchest supporter and their harshest critic. I'm reevaluating that over the years because the first part is not having much stick with me.

You've heard it from folks. Miss Rice was articulating this too. There's not much granular detail here. There will be. It'll come one way or another, and we'll find out about it and get more on it. But I hope everyone was listening. I think the ranking member made a very important and clear point about this and it was echoed by many other members. There's some advice. You all knew what was going to get asked here. Hire somebody to tell you what's going to come here. Because, yes, part of this is the optics, is what's happening here.

And then what breaks my heart is, is the VA is damaged for a generation. And what kills me is the veterans' lack of trust. That's the one I hear all the time. And this makes them really—puts our veterans in a really tough spot because they have ownership for the VA, and it breaks their heart to see these stories in the news because many of them will come to me and say: You know, I'm getting really good care at my VA.

It happens all time. We know that. But these things are happening. And it tests their faith, it makes them not be advocates that we need them to be for this. And to be very honest with you, if there were a fix and they could run into the private sector and get the specialized care, that would be one thing, but we know that's not there. We know that's what the VA is there for in many cases. And if it's not fulfilling that, it's not happening.

So this isn't added on. All of you know. We are so damn—I mean, it's just a cliché. The bureaucracy is so siloed up that you come today and can't realize this is going to play on years' worth. This has to do with Phoenix. This has to do with the other issues. And then to try and take us into a kind of arcane balancing act on accounting, that wasn't the main purpose. The main purpose is to get the answers, and you heard people saying this. And I'm not expect-

ing you to violate someone's due process or throw them under the bus, but this is repeating itself over and over and over again.

And let's be clear, when the VA comes from now on, you do not get the benefit of the doubt. So when you go back and talk to your colleagues, you're not getting the benefit of the doubt when you come here. And the frustration these members are feeling is because they are hearing it from their constituents.

I have talked about this for 9 years. I talked about culture change. That's my job. I'm a cultural geographer. I don't for a second believe there is an attempt, especially on the levels below, to make that true change.

You have no time. This is not a multiyear process. It has to start today. And the damage is getting deeper, it's getting much more difficult to repair, and you're testing the patience beyond anything I have witnessed since I've been here.

So my two cents on this is, is that this Kabuki dance is not going to play itself anymore. Be very clear. Someone will fix this for you. Someone will fix it for you, and the way our system is, that's our responsibility by the American people.

So thank you, Chairman. I applaud both of your efforts on your doggedness on this. And be very clear, while we may have differences politically, this is an issue that has unified us in a way that I have not witnessed. And so I would say that bodes well for us to at least figure out how to get this right.

I yield back.

Mr. COFFMAN. Thank you, Mr. Walz.

Mr. Lamborn, you are now recognized.

Mr. LAMBORN. Thank you, Mr. Chairman. Thank you for having this hearing. I'll just jump right in.

Mr. Murray, does the VA collect rebates for its use of the purchase cards? If so, how much? And also, to what account is this deposited?

Mr. MURRAY. Thank you for that question. VA collected \$75.5 million in rebates in fiscal year 2014, and that money is returned to the accounts that did the original purchase, which is primarily the healthcare accounts.

Mr. LAMBORN. Okay. Thank you.

And also, a VA employee in VISN 3 committed \$54 million in purchase card authorization without contracts and violated the law by using split purchasing to pay for the purchases. How could such a large aggregation of unauthorized expenditures occur without detection?

Mr. MURRAY. There are a number of people use a number of cards with a number of approving officials and put change vendors, change amounts, put time between the purchases. There can be some sophistication in people trying to avoid the appearance of a split purchase, and sometimes it's not always clear that a purchase is a split purchase.

Mr. LAMBORN. Mr. Frye, would you care to comment on that question as well?

Mr. FRYE. Yes. Actually this was a classic case of an employee in VISN 3 trying to deceive the public. These amounts that were being hand jammed into the Federal Procurement Data System, as I recall, were from 2010 and 2011, and these dollars were being

jammed into the Federal Procurement Data System, I think, in a way to make it look like this VISN had increased its small business efforts. Don't know for sure because there was no—again, nothing is ever—nothing seems to ever be investigated to the fullest extent.

But as you know, it took us nearly 11 months to answer the questions. We received a request from Mr. Johnson. It took us so long to reply that Mr. Johnson retired, and that response went to Mr. Coffman. The response that I received in my office for me to chomp on was just ridiculous. It was full of obfuscation, falsehoods. And I absolutely blew a gasket. I threw it in the trash, and I re-wrote it. And then it was signed by my boss, then Mr. Haggstrom, and further signed by the Secretary, and it came to Mr. Coffman.

It was deplorable to me that we got responses out of VHA that made absolutely no sense whatsoever. But that's why it took 11 months to gin up the answer. The first answer we got was that the hurricane ruined the files. Complete falsehood. There were no files. There were no contract files. No contracts were put in place. Prosthetics personnel simply made—it appears the prosthetics personnel simply made purchases without the benefit of contracts and paid for those using the cards.

The individual that was caught hand jamming those into FPDS didn't actually make the purchases. They were just trying to thank—or take credit, we believe, for small business, and they were putting purchases in from previous years.

So it's probably a lot more complex than I've depicted here, but no formal investigation was ever done. That's \$55 million, or nearly \$55 million, that can't be accounted for that the taxpayer never saw it. And worse, maybe that should have been set aside for a veteran-owned service-disabled or veteran-owned small businesses. It wasn't.

Mr. LAMBORN. Thank you. I appreciate that.

Mr. Chairman, I yield back.

Mr. COFFMAN. All right. Thanks to the witnesses today. Are there any more comments? Questions?

Prior to excusing you, Mr. Murray, I would like to get your guarantee and assurances that Mr. Frye, who has testified as a whistleblower today, will not be subjected to any retaliation by VA for doing so. Will you make that guarantee to me?

Mr. MURRAY. I will.

Mr. COFFMAN. Very well.

You are now excused. Thank you for your testimony.

Today we have had a chance to hear about problems that exist within the Department of the Veterans Affairs with regard to oversight of its Government Purchase Card Program. Based on the testimony provided and questions asked today, it appears that VA is failing to adequately monitor the use of its purchase cards and those who hold them, which is resulting in the waste of billions of taxpayer dollars and should be used to serve our veterans.

As such, this hearing was necessary to accomplish a number of items, to, number one, identify the continuing widespread problems with VA with regard to the use of Government Purchase Cards; two, to allow VA to provide answers as to why these problems will exist and have been allowed to continue for so long; and three, as-

sess next steps that must be taken by the Department in order to stem the continued waste out of taxpayer dollars.

I ask unanimous consent that all members have 5 legislative days to revise and extend their remarks and include extraneous materials. Without objection, so ordered.

Mr. COFFMAN. I would like to once again thank all of the witnesses and audience members for joining in today's conversations. With that, this meeting is adjourned.

[Whereupon, at 12:25 p.m., the subcommittee was adjourned.]

APPENDIX

PREPARED STATEMENT OF CHAIRMAN MIKE COFFMAN, CHAIRMAN

Oversight and Investigations Remarks
 "Waste, Fraud, and Abuse in VA's Purchase Card Program"
 May 14, 2015

Good morning. This hearing will come to order.

I want to welcome everyone to today's hearing titled, "Waste, Fraud, and Abuse in VA's Purchase Card Program." This hearing will examine the deficiencies in VA's implementation and oversight of its government Purchase Card Program.

The use of Government Purchase Cards is intended to streamline payment procedures and improve cash management practices at the Department. However, the program has had a history of weak internal controls resulting in serious violations of procurement laws, including the Competition in Contracting Act and the Federal Acquisition Regulation. Due to inadequate oversight of the Purchase Card Program, especially at the Veterans Health Administration, we have learned that VA may have committed as much as \$5 billion a year in improper and unauthorized procurement expenditures for at least the last five years.

This is a truly staggering amount. Given the high number of transactions—\$6.2 million in FY 2014—and the aggregate billions at risk, it is crucial that VA implement effective oversight controls to ensure it uses taxpayer resources efficiently for veterans. Even after multiple reports from the OI-G and GA-O, VA continues to leave its program vulnerable to massive waste, fraud, and abuse. In this regard, for fiscal year 2015, VA OI-G has identified the following seven high risk areas:

- 1) Exceeding authorized purchase limits individually or aggregately;
- 2) An excessive number of purchase cardholders with inadequate justification;
- 3) An unmanageable span of control (ratio of cardholders to approving officials is high);
- 4) Inadequate financial controls prohibiting duplicative or split payments;
- 5) Inadequate recording or reporting of financial information;
- 6) Insufficient oversight of year-end spending; and
- 7) Inadequate review of purchases by reviewing officials.

Violations of procurement laws are not mere technicalities. It is not just a matter of paying a little more for needed supplies and services as some apologists for VA have asserted. Among other things, purchase card abuse invites cronyism and the directing of business to favored vendors, including those who may employee former VA officials. Moreover, buying biologics and medical supplies without contracts imperils patient safety. Without contracts, F-D-A certifications are not a legal requirement nor are the Buy American Act or Trade Agreement Act provisions. If veterans are later harmed by these products, VA would have little recourse without contracts with the vendor.

Recognizing the importance of compliance with procurement laws in Purchase Card Programs, Congress passed the Government Charge Card Abuse Prevention Act of 2012 requiring periodic audits, reports, and risk assessments. It also requires that agencies hold employees who violate purchase card guidelines or make erroneous, improper, or illegal purchases accountable through adverse personnel actions, including dismissal. Under existing law, agencies may also hold such employees personally liable. However, rather than following the law and holding its employees accountable, VA has often sought to institutionally ratify unauthorized commitments, sometimes in wholesale, for years of illegal purchases.

I am sure many of you now know that the Washington Post published an article this morning involving these very issues, citing to a 35-page letter sent to Secretary McDonald months ago detailing these problems. We distributed that letter to every

member of this Subcommittee and would like to get answers from VA as to what it plans to do to fix the litany of problems explained within it.

In conclusion, VA needs to explain to this Subcommittee, to taxpayers, and to veterans, its continuing and longstanding mismanagement of the Purchase Card Program. Each time VA makes illegal purchases, taxpayers are forced to foot the bill, resources to care for veterans are squandered, and the Veteran as well as the government assumes all the risk.

I look forward to the discussion we will have here today on this important issue. With that, I now yield to Ranking Member Kuster for any opening remarks she may have.

PREPARED STATEMENT OF RANKING MEMBER ANN M. KUSTER

- Thank you Mr. Chairman.
- Purchase cards simplify the often-cumbersome practice of procurement. The use of purchase cards by Federal agencies, including the VA, is estimated to save these agencies \$1.7 billion per year. But their very ease of use sometimes invites abuse.
- Recent reports have detailed abuses in the Departments of Defense and Homeland Security. The work of the VA Inspector General has highlighted areas of abuse and concern with the VA's use of purchase cards. It is my hope today that we can discuss the benefits of this program, as well as the problems, and that we can work together to find solutions that strengthen the VA's internal controls and oversight to ensure that VA has more resources to spend on our veterans, and that these resources are used for proper purposes.
- The recent VA Inspector General findings, while not as shocking as the DoD and DHS scandals, are still troubling. I am concerned about the VA's lax oversight over purchase cards, and the lack of accountability for purchase card holders. While purchase cards are necessary to VA operations, we must thoroughly examine the policies and processes in place to prevent further misuse and hold VA employees accountable for violations of federal acquisition law and regulations.
- The data is concerning: from 2012 to 2013, 15,600 purchase card transactions valued at \$85.6 million may have been unauthorized purchases. Although the vast majority of these purchases were for legitimate purposes—not fraud, waste, and abuse—acquisition law was still violated and employees were not held accountable. Many of these card holders allegedly exceeded their authorized purchase limit. In other instances, card holders split purchases—which is the practice of improperly dividing what should have been a single purchase into separate purchases to avoid micro-purchase thresholds and Federal Acquisition Regulation (FAR) competition requirements. Additionally, due to the large volume of unauthorized purchases, VA failed to follow proper procedures to ratify each of these unauthorized purchases, which meant that VA employees were not held accountable for circumventing the law.
- One of the areas I would like us to focus on this morning is whether VA has an adequate number of Approving Officials to ensure that purchases are scrutinized before they are made, and not just looked at afterwards. Does VA have the resources to provide adequate oversight, and the focus on this program that I believe they need. Are cardholders provided a suitable level of training in order for them to avoid making improper or unauthorized purchases?
- Another area I would like to explore is whether technology may provide us with an additional layer of oversight and scrutiny. The use of financial algorithms similar to those used by credit card companies to detect fraud can also be used to detect improper use.
- I look forward to hearing the testimony from our witnesses, and working with each of you to strengthen oversight of VA procurement.
- Thank you Chairman Coffman, and I yield back the balance of my time.

PREPARED STATEMENT OF MR. EDWARD MURRAY

Good morning, Chairman Coffman, Ranking Member Kuster, and Members of the Subcommittee. Thank you for the opportunity to discuss the Department of Veterans Affairs' (VA) implementation and oversight of our Government Purchase Card Program. I am accompanied today by Mr. Gregory Giddens, Principal Executive Director, Office of Acquisitions, Logistics and Construction (OALC), Mr. Jan Frye, Deputy Assistant Secretary for the Office of Acquisition and Logistics and Mr. Nor-

bert Doyle, Chief Procurement and Logistics Officer for the Veterans Health Administration (VHA).

VA has a robust Government Purchase Card Program with 25,515 card accounts generating \$3.7 billion worth of purchases in 6.1 million transactions as of the end of Fiscal Year (FY) 2014. We rely on this program to aide in the expeditious acquisition of supplies and services in support of our Veterans. For example, purchase cards are used for acquisition of prosthetics and sensory aids that promote health, independence and quality of life for Veterans. As with many large programs, we have experienced challenges in implementing the Government Purchase Card Program as noted in recent reports by VA's Office of the Inspector General (OIG). We value the recommendations provided by OIG and have implemented needed improvements to strengthen controls over VA's Purchase Card Program.

Background

Implementation, including oversight and internal controls, of VA's Purchase Card Program is a collaborative effort across the Department. Key Department-level participants include OALC, VHA, and the Office of Management (OM). In implementing our program we are acutely aware of the need to effectively manage taxpayer resources; as such, we maximize use of the Government Purchase Card Program to reduce administrative overhead costs while earning rebates.

OALC is responsible for the acquisition policy for the Department. In this role, OALC manages the delegation from the Secretary for the micro-purchase authority (less than \$3,000). OALC further delegated the micro-purchase authority, which is specific to the Governmentwide commercial Purchase Card Program, to OM. OALC maintains responsibility for procurement policy of the program above the micro-purchase threshold, while OM is responsible for providing policy up to the micro-purchase threshold.

OM establishes purchase card policies and procedures defining roles and responsibilities, ensuring separation of duties, and overseeing the management of VA's Purchase Card Program. OM also ensures that VA purchase card policies are in compliance with Appendix B of the Office of Management and Budget (OMB) Circular A-123, "Improving the Management of Government Charge Card Programs," and with the Government Charge Card Abuse Prevention Act of 2012.

In October 2011, VA took a significant step toward strengthening internal controls by consolidating the Purchase Card Program under the Financial Services Center (FSC). This action enabled centralized oversight, management, and consolidation of the Purchase Card Program, thus reducing the number of purchase card accounts VA-wide by 31 percent from approximately 37,000 in FY2011 to 25,515 by the end of FY2014.

VA is committed to continuous monitoring and improvement of its Government Purchase Card Program and has implemented a number of processes and internal controls to minimize and eliminate fraud, waste, and abuse. For example, we close or reduce card spending limits due to inactivity, invalid training certificates, lack of valid warrants, or for separated employees. Controls have been implemented with the U.S. Bank to limit the use of the government purchase card for specific types of merchants. We also have mandated the use of the U.S. Bank on-line portal for reconciliations of purchase card transactions and monitor the completion of reconciliations on a monthly basis. Training is required prior to the issuance of a card, with refresher training required every two years. In addition, controls have been implemented to ensure active government purchase card holders are compliant with these training requirements. As noted, with centralized control within FSC, we are able to monitor purchase card activity across VA on a daily, weekly and monthly basis. Using these controls, we have not identified any cardholders with single purchase limits above the micro-purchase threshold who were not warranted since January 2013.

OM also conducts two types of oversight reviews of the Purchase Card Program at the transactional level—data mining and statistical sampling. The data mining process involves collecting, filtering, and analyzing approximately 1.5 million transactions each Fiscal Quarter to seek patterns or relationships in the data and identify areas of potential non-compliance with policy requirements. The statistical sampling seeks to select and evaluate a representative sample of transactions from the same population to review for compliance with policy. OM issues quarterly memoranda to responsible officials to notify them of potential unauthorized commitments such as split purchases and transactions that exceeded micro-purchase limits that may require ratification. Beginning in 2015, if no response is received from the initial responsible official, OM elevates the potential unauthorized commitments to officials in the cardholder's chain of command—with 30 day intervals between each elevation. In calendar year 2014, we issued nine elevation memos for 95 ratifications

pending completion at the time of the OIG review. We also continue to aggressively elevate unresolved ratifications identified during quarterly reviews, and have issued eight additional elevation memos to date in 2015 for 49 open ratifications.

Within VA, VHA has the largest number of government purchase cardholders, generating a little over 98 percent of purchase card transactions in the Department in FY2014. VHA purchase cardholders spend about \$3.7 billion annually on approximately 6 million transactions. VHA has approximately 11,000 cardholders and 6,000 approving officials (AOs); typically the AO is a supervisor within the cardholder's chain of command. VHA's Procurement and Logistics Office provides additional oversight over VHA's Purchase Card Program.

Government Charge Card Abuse Prevention Act of 2012

On October 5, 2012, the President signed into law the Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act), Public Law 112-194, which reinforced Administration and Congressional efforts to prevent waste, fraud, and abuse of Governmentwide charge card programs. In September 2013, OMB issued guidance to Departments and Agencies on implementation of the Charge Card Act. In December 2013, VA's Financial Policy was updated to comply with the Charge Card Act and OMB guidance.

A chief purpose of the Charge Card Act was to deter employee misuse of government cards, by implementing penalties for charge card violations. Additionally, VA revised Human Resources policy to outline penalties, adverse personnel actions, or other appropriate disciplinary actions for misuse of the purchase card.

Corrective Actions To Address OIG Findings

In the report "Administrative Investigation of VA's FY2011 Human Resources Conferences in Orlando, FL", issued September 2012, OIG found that at least one VA employee held at least 3 purchase cards with single purchase limits above the micro-purchase threshold and had inappropriately made purchases above the micro-purchase threshold. OIG recommended that VA complete a special review of purchase card transactions in support of VA Learning University conferences. OM took this weakness in internal controls very seriously and opted to expand this review VA-wide across the entire Purchase Card Program.

During its review, OM identified a total of 2,022 unwarranted purchase card accounts with single purchase limits over the micro-purchase threshold. OM initiated a reconciliation and corrective action process, which resulted in the systematic reduction of single purchase limits as prescribed in the cardholder's valid warrant. That process was completed by January 2013.

Concurrent to the review, in December 2012, the FSC became the single centralized point of control in VA for setting the single purchase limit for a cardholder. All requests to raise or lower the single purchase limit on a purchase card account must be submitted to the FSC. Requests to raise the single purchase limit over the micro-purchase threshold are reviewed to verify that the cardholder possesses a valid warrant on the most recent OALC warrant report. In addition, as of December 2013, U.S. Bank routes the request for the issuance of new Government Purchase Cards to FSC for review and approval or rejection. FSC then works to ensure full compliance with policy and validates training and warrants during the review process.

In May 2014, OIG issued a report on the "Review of Alleged Unauthorized Commitments", which reviewed purchase card transactions from FY2012, substantiated allegations that cardholders had made unauthorized commitments, and that VA had not performed ratification actions on identified unauthorized commitments. In total, OIG made nine recommendations to VA, all of which were closed by April 2015.

In its report, OIG also projected 15,600 potential unauthorized commitments, valued at approximately \$85.6 million in FY2012 and FY2013. OIG recommended OM review FY2012 and FY2013 purchase card transactions exceeding \$3,000 to identify unauthorized commitments made by cardholders who did not have appropriate warrant authority. In 2014, OM conducted the review of 57,577 high risk transactions valued at \$586.5 million. OM determined that roughly 29 percent, 16,686 transactions, valued at \$221.2 million were potentially unauthorized commitments and needed research and validation from Heads of Contracting Activity (HCA) before a final ratification determination could be made. The result of the initial review of the 16,686 transactions by HCAs identified 4 percent or 680 unauthorized commitments totaling \$10.7 million. VA continues to review these transactions for appropriate action.

Path Forward

VA has made tremendous strides in recent years in its Purchase Card Program, however, we recognize the need to continue to expand and improve our oversight

and internal controls. The Charge Card Act has supported our improved program and we continue to develop and refine training for all Government Purchase Card Program participants; to develop and continuously monitor data analytics to identify trends of misuse and abuse and elevate for appropriate remediation; and to seek ways to develop a cross-functional mechanism of continuous improvements.

Mr. Chairman, this concludes my testimony. My colleagues and I are prepared to answer any questions you, or other Members of the Committee, may have.

**STATEMENT OF LINDA A. HALLIDAY
ASSISTANT INSPECTOR GENERAL
FOR AUDITS AND EVALUATIONS
OFFICE OF INSPECTOR GENERAL
DEPARTMENT OF VETERANS AFFAIRS
BEFORE THE
SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS
COMMITTEE ON VETERANS' AFFAIRS
UNITED STATES HOUSE OF REPRESENTATIVES
HEARING ON
"WASTE, FRAUD, AND ABUSE IN
VA'S PURCHASE CARD PROGRAM"**

MAY 14, 2015

Mr. Chairman and Members of the Subcommittee, thank you for the opportunity to provide testimony concerning the Office of Inspector General's (OIG) work related to VA's Purchase Card Program. I am accompanied today by Mr. Quentin G. Aucoin, Deputy Assistant Inspector General for Investigations (Field Operations), Mr. Kent Wrathall, Director, Atlanta Office of Audits and Evaluations, and Mr. Murray Leigh, Director, Financial Integrity Division, Office of Audits and Evaluations.

BACKGROUND

The General Services Administration's SmartPay program provides purchase cards to Federal agencies through contracts negotiated with contractor banks to provide a purchase and payment tool that implements simplified acquisition procedures, which creates a way for agencies to streamline Federal acquisition processes by providing a low-cost, efficient vehicle for obtaining goods and services directly from vendors. In Fiscal Year (FY) 2014, Government-wide purchase card spending totaled \$17.1 billion through over 20 million transactions completed by approximately 265,000 cardholders.¹

VA's Purchase Card Program enables authorized employees to make purchases on behalf of the Federal government to support VA's mission. From FY 2011 to FY 2014, the value of VA purchase card transactions increased by just over 100 percent from \$1.8 billion to \$3.7 billion. During the same period, the number of VA purchase card transactions increased by about 130 percent from 2.7 million to 6.2 million. The increased number of purchase card transactions during this period makes it increasingly important to have strong controls over these purchases. Considering the high dollar amount and volume of purchase card transactions, ensuring VA has strong controls over the use of purchase cards is critical to ensuring VA uses taxpayer funds effectively and efficiently to serve our Nation's veterans.

VA requires purchase cards to be used for all purchases under certain dollar thresholds (referred to as the micro-purchase thresholds). If a purchase exceeds the applicable

¹ GSA SmartPay Statistics Overview. <https://www.smartpay.gsa.gov/about-gsa-smartpay/program-statistics>. Accessed May 7, 2015.

threshold and the cardholder does not have warrant authority, then the purchase is considered an unauthorized commitment and must be ratified in order to be binding on the Government.

Unauthorized commitments are purchases that are not binding because the Government representative who made them lacked the authority to make the purchase. Unauthorized commitments circumvent acquisition regulations and increase the risks of misusing taxpayer funds. Unauthorized commitments include purchases by cardholders who do not have valid warrants, exceed the limitations of their warrant authority, or split purchases, which is the practice of improperly dividing what should have been a single purchase into separate purchases to avoid micro-purchase thresholds and Federal Acquisition Regulation (FAR) competition requirements. When these actions occur, they often result in improper payments.

The FAR provides contracting procedures designed to maximize competition and obtain needed goods and services at fair and reasonable prices. The FAR requires agencies to review all records and documents for each identified unauthorized commitment when performing ratification actions that protect the Government's interest when goods and services are acquired using unauthorized commitments. Ratification is the act of approving an unauthorized commitment by an official who has the authority to do so. If VA decides not to ratify unauthorized commitments already paid using purchase cards, VA may pursue collections from VA cardholders who made the purchases.

RECENT OIG AUDIT WORK

Risk Assessments

The *Government Charge Card Abuse Prevention Act of 2012* (Charge Card Act) requires agencies to establish and maintain safeguards and internal controls for purchase cards.² Under the Charge Card Act, Inspectors General must conduct periodic risk assessments of agency purchase card programs to analyze the risks of illegal, improper, or erroneous purchases. Inspectors General then use these risk assessments to determine the necessary scope, frequency, and number of audits or reviews of these programs.

For the fiscal year (FY) 2015 risk assessment, we performed data mining on credit card transactions using a set of defined criteria designed to identify transactions or patterns of activity that appear to represent potential fraud, waste, or abuse. Our risk assessment examined:

- Cardholders with a high volume of transactions.
- Multiple transactions made on the same day with the same vendor, amount, and purchase card.
- Credit card purchases that exceeded established purchase card limits.
- Recurring transactions made with the same vendor.

² Public Law 112-194, October 5, 2012.

- Transactions occurring on holidays, weekends, in the last 2 months of the FY, and during unusual times of the day.
- Transactions made by a facility that were more than double the nationwide average number of transactions and costs per purchase card for VHA facilities.

From this work, we identified seven high risk areas that included:

- Cardholder transactions that exceed authorized purchase limits including unauthorized commitments.
- Inadequate financial controls prohibiting duplicative and split payments.
- An excessive number of cardholders making purchases with inadequate justifications.
- An unmanageable span of control resulting from an unbalanced ratio of cardholders to approving officials.
- Inadequate recording or reporting of financial information.
- Insufficient oversight of year-end spending.
- Inadequate review of purchases by approving officials.

Based on our risk assessments, we plan audits and reviews that can continue to identify control weaknesses, strengthen program control, and address inefficiencies in VA's Purchase Card Program. Our recent work has identified significant control weaknesses that did not prevent transactions involving unauthorized commitments, improper payments, split purchases, and purchases that lacked appropriate supporting documentation.

Review of Alleged Unauthorized Commitments Within VA

In our report dated May 21, 2014, we substantiated allegations that purchase cardholders made unauthorized commitments and VA violated the law by not performing ratification actions on identified unauthorized commitments in compliance with the FAR. Specifically, we estimated that during FYs 2012 and 2013, VA made about 15,600 potential unauthorized commitments valued at approximately \$85.6 million of the nearly \$1.8 billion transactions over the micro-purchase threshold.

For decades, inadequate VA controls have allowed cardholders to make thousands of unauthorized commitments resulting in violations of law by deviating from FAR ratification requirements. Instead of following FAR requirements to perform ratification actions for individual unauthorized commitments, VA institutionally ratified bundled unauthorized commitments. This practice does not hold individuals accountable for this serious offense. In addition, VA did not complete ratification actions for unauthorized commitments identified during internal and OIG reviews. Although aware it was making unauthorized commitments, VA did not implement needed controls to prevent future unauthorized commitments and avoid the need to complete ratification actions.

During the course of our work, VA's Office of Acquisition, Logistics, and Construction (OALC) and Office of Management (OM) implemented changes to reduce the number of purchase cards held by cardholders without warrants with spending limits above the

micro-purchase threshold. OM also began performing weekly comparisons between OALC's database of warranted individuals with US Bank's list of purchase cardholders. Additionally, OM reduced purchase card spending limits to the micro-purchase threshold for all cardholders not appearing on OALC's database. Although these changes to the warrant and purchase card approval process strengthened purchasing controls and can help reduce the risk of unauthorized commitments, we identified three specific control areas that needed strengthening:

- **Inadequate Warrant Information.** VA lacked a complete and accurate database of contracting officers' warrant information that OALC and OM could use to verify warrant status for cardholders with spending limits above micro-purchase thresholds. Instead, VA relied on a database compiled using warrant information extracted from VA's Electronic Contract Management System, which previous OIG audits had repeatedly found to be inaccurate because facility staff had not entered required information in the system.
- **Insufficient Verification of Warrant Authority.** VA facility approving officials did not verify cardholders had valid warrants before approving purchase cards with spending limits above the micro-purchase threshold. Approving officials and Purchase Card Program coordinators are responsible for ensuring cardholders who make purchases exceeding micro-purchase limits have a valid warrant and that their purchase card single and monthly purchase limits do not exceed their warrant authority.
- **Insufficient Unauthorized Commitment Training.** Purchase cardholders and approving officials did not receive sufficient training on unauthorized commitments. VA's mandatory training for purchase cardholders does not adequately explain what constitutes an unauthorized commitment and the resulting consequences for the cardholder. The training did not clearly explain that unauthorized commitments include purchases above the micro-purchase financial thresholds made by cardholders without a warrant. In addition, the training did not explain that purchases made by cardholders outside the limits of their warrant authority are unauthorized commitments and cardholders can potentially be personally liable for exceeding their written authority.

We made eight recommendations to strengthen controls over VA's Purchase Card Program. VA officials agreed with the recommendations and implemented corrective actions to strengthen program controls.

Audit of Engineering Service Purchase Card Practices at the Ralph H. Johnson VA Medical Center, Charleston, South Carolina

In our April 17, 2014, report, we substantiated an allegation that Ralph H. Johnson VA Medical Center (VAMC) Engineering Service cardholders split purchases to circumvent micro-purchase limits and made improper purchase card payments. Of 139 sampled purchases made by Engineering Service cardholders from October 2011 through May 2013, 40 were unauthorized commitments totaling \$83,100 that avoided competition requirements. The 40 unauthorized commitments included 35 purchases valued at about \$69,300 that cardholders split and 5 purchases valued at about \$13,800 that

exceeded the micro-purchase limit for services. Engineering Service employees also made 33 purchases that we could not determine whether payment was proper because of insufficient documentation. The value of these improper payments was about \$55,000.

We identified two specific areas that needed strengthening:

- **Oversight.** Engineering Service approving officials did not use the Veterans Health Administration's required checklist to monitor cardholders' use of purchase cards. The checklist provides a methodical procedure for approving officials to review purchases for inappropriate practices, such as split purchases, illegitimate expenditure of funds, spending that exceeds purchase card limits, and documenting that vendors used are not debarred. Additionally, the VAMC Purchase Card Coordinator did not use two VA financial system reports to identify purchase card risks and abuses such as split purchases.
- **Purchase Card Training.** Six of 14 Engineering Service cardholders and 3 of 5 approving officials had not completed required refresher training every 2 years. Adequate training is essential for cardholders and approving officials to perform their duties effectively.

We made four recommendations to strengthen the facility's Purchase Card Program controls over Engineering Service. The Veterans Integrated Service Network (VISN) Director agreed with the recommendations and provided corrective action plans that were supposed to address our recommendations by September 2014. The VISN implemented corrective actions for two of the four recommendations. On May 11, 2015, the VISN submitted additional information and requested that we close the remaining two recommendations to perform data mining and detailed reviews of high-risk transactions to identify unauthorized commitments and purchases lacking sufficient documentation, and to take appropriate actions. We are reviewing this information to determine whether it is appropriate to close these recommendations.

Administrative Investigation of VA's FY 2011 Human Resources Conferences in Orlando, Florida

In our September 30, 2012, report on the results of our administrative investigation into allegations of wasteful expenditures related to two Office of Human Resources and Administration (OHRA) conferences in Orlando, FL, we found that a VA employee made unauthorized commitments totaling more than \$100,000 for conference expenses. We recommended VA perform a special review of purchase card transactions made in support of VA Learning University conferences. Additionally, we recommended the Deputy Secretary conduct a review to determine if obligation of funds without the appropriate authority is a systematic issue. Our report instructed VA to review the unauthorized commitments and determine if ratification actions are in the best interest of VA.

VA's review found that just six cardholders made potentially \$5.4 million of the unauthorized commitments between October 2009 and September 2012. In January

2013, the Head of Contracting Activity for OALC reported that VA could not ratify \$5.2 million of the transactions because of insufficient documentation to assess compliance with Federal and VA acquisition regulations. OHRA reported taking disciplinary action against these six cardholders.

OIG OVERSIGHT WORK IN PROGRESS

Given the seriousness of the types of purchase card abuses we previously identified, we are examining compliance with VA purchase card requirements in VA conference management activities for FY 2015 through two reviews. The first review relates to information we received during the course of our review of the two OHRA conferences in Orlando, FL, indicating that individuals lacking the appropriate authority placed hotel contract actions associated with other unrelated conferences. As a result, on September 20, 2012, the then Inspector General, George Opfer, issued a memorandum to the then Deputy Secretary, Scott Gould, requesting actions be taken to identify any unauthorized commitments of funds made either through contract actions or the use of Government purchase cards in support of conferences without appropriate authority to do so. We are assessing the completeness of actions VA took in response to this memorandum. Additionally, as directed by House Report 112-491, to accompany H.R. 5854, *Military Construction and Veterans Affairs and Related Agencies Appropriations Act, 2013*, we are conducting a second review to examine the effectiveness of corrective actions taken in response to the recommendations in our report regarding the OHRA conferences in Orlando, FL.

CRIMINAL INVESTIGATIONS

Since FY 2012, the OIG Office of Investigations has opened 21 cases involving employee misuse of VA purchase cards. Nine cases are closed and the remaining 12 cases are ongoing. As a result of these investigations, there have been nine arrests and six convictions, as well as the termination or resignation of nine VA employees.

The most significant investigation involved a Supervisory General Engineer at the VA New Jersey Health Care System in East Orange, New Jersey, who conspired with another individual to defraud VA with regard to construction-related projects valued at over \$6 million. The engineer misused his position to award certain construction and repair projects at the East Orange Campus to companies owned by another defendant and then approved the use of purchase cards to pay these companies approximately \$3.4 million. The engineer took inappropriate actions to split single projects into multiple separate work orders to avoid approvals and bidding regulations. The engineer also assisted this defendant in falsely representing to VA that a separate company owned by the defendant was eligible for a set-aside Service-Disabled Veteran-Owned Small Business contract valued at \$3.3 million, which constituted a second misuse of his official position. In exchange for his official action to steer contracts to the defendant's companies, the engineer accepted kickbacks valued at over \$1.25 million. Both individuals pled guilty and are awaiting sentencing. The OIG is performing additional work at this facility in light of the criminal activity identified to ensure controls over purchase cards have been strengthened.

Another case involved an employee at the VA Loma Linda Healthcare System in Loma Linda, CA, who used his purchase card to buy and resell 117 computer-related items totaling nearly \$330,000. This individual's employment was terminated and he was ultimately sentenced to prison time, home confinement, and restitution.

A third case involved a former Atlanta, GA, VAMC Police Service clerical employee who misused her purchase card to procure and negotiate 681 prepaid gift cards, which he subsequently used to purchase items at retailers, to pay personal financial obligations, and for entertainment purposes. The loss to VA was over \$88,000. The defendant's employment was terminated, he was sentenced to 13 months of incarceration followed by 36 months of supervised probation, and ordered to pay restitution for the value of the unauthorized purchases and a \$1,200 special assessment.

In another case, an OIG investigation led to a Program Manager in VA's Office of Information and Technology in Birmingham, AL, pleading guilty to six counts of fraudulent use of a credit card in violation of State law. The investigation revealed that the employee misused her travel charge card for approximately \$3,500 of unauthorized car payments and hotel expenses. We provided local managers with a full briefing on the results of our investigation and the conviction of the employee, who was sentenced to serve 36 months of supervised probation and ordered to pay restitution for the value of the unauthorized purchases. While on probation, the employee misused her purchase card to buy approximately \$6,215 in unauthorized items that she converted to personal use. The employee resigned after discovery of the conduct that led to the second conviction. The employee was convicted again on Federal fraud charges and sentenced to 4 months of home detention, 48 months of supervised probation, and ordered to pay restitution for the value of the unauthorized purchases.

CONCLUSION

The number of purchase card transactions is voluminous and the value represents significant financial expenditures. Overall, we consider VA's Purchase Card Program at medium risk for waste, fraud, and abuse. However, within the Program we have identified seven areas of high-risk practices that we will continue to target for oversight. Effective and efficient purchase card use can only be ensured by implementing and maintaining stringent internal controls that prevent mismanagement and improper actions resulting in unauthorized commitments, improper payments, and other violations of fiscal laws and regulations. Any misuse of purchase cards is unacceptable and contributes to an erosion of public trust that Federal taxpayer dollars are being spent wisely and effectively. VA must significantly strengthen Purchase Card Program internal controls to prevent further misuse of taxpayer dollars intended to serve veterans and their families.

Mr. Chairman, this concludes my statement. We would be pleased to answer any questions that you or Members of the Subcommittee may have.

PREPARED STATEMENT OF JAN R. FRYE

Chairman Coffman, Ranking Member Kuster, and Members of the Subcommittee. Thank you for inviting me to testify before you this morning. Today I find myself in a position I never envisioned myself to be in. I am testifying as a whistle blower.

Before I go further, I want to assure you I do not enjoy being a whistle blower. I am not a disgruntled VA Senior Executive. I am definitely not seeking attention or celebrity. I am here before you, because I have been unsuccessful in my persistent attempts to bring massive violations of Federal acquisition and fiscal laws and regulations to a halt in VA.

Each of us engaged in Federal acquisition and fiscal processes have an overriding responsibility to taxpayers. Those of us in leadership positions must always lead in a manner so as to maintain the public trust, while upholding the integrity of the Federal acquisition and financial systems.

Over the past five years, some senior VA acquisition and finance officials have willfully violated the public trust while Federal procurement and financial laws were debased. Their overt actions and dereliction of duties combined have resulted in billions of taxpayer dollars being spent without regard to Federal laws and regulations, making a mockery of Federal Statutes. I am not aware of a single senior acquisition leader being held accountable for wrongdoing or dereliction in the nearly 10 years I've been in my present VA position.

While intentional violations of Federal acquisition and fiscal laws add to the VA's now infamous "corrosive culture" recently cited by the White House, these unlawful acts may potentially result in serious harm or death to America's veterans. When VA procures pharmaceuticals or medical devices without terms & conditions afforded via written contracts, the government forfeits all legal protections afforded by contract law. Efficacy and safety mandates are nonexistent.

Without contracts, Food and Drug Administration certifications are not a legal requirement, nor are Trade Agreement Act or Made-in-America provisions. Unfortunately, the government has little recourse if veterans are harmed by products or services obtained without protection of contract terms & conditions.

In addition doors are flung wide-open for fraud, waste and abuse when contracts are not executed. For example, by law, prices paid for goods or services subject to contracts can only be determined to be fair-and-reasonable by duly appointed contracting officers. I can state without reservation that VA has and continues to waste millions of dollars by paying excessive prices for goods and services due to breaches of Federal procurement laws.

Further, traceability and auditability of public funds spent without regard for established laws and regulations are difficult if not impossible to realize. Contract award data is required statutorily to be recorded in the Federal Procurement Data System (FPDS), which is accessible by the general public. When contracts are not executed, taxpayers are not afforded access to data describing these expenditures.

Also, VA small-business goal accomplishments have been and continue to be overstated. Illegal procurements without contracts are not included in calculations to determine Federally mandated small-business goals. Thus we've duped the veteran-owned business community we are required by law to advocate for.

The overarching questions are these: How is it possible the VA procurement and finance systems have been allowed to operate where potentially billions of dollars in goods and services are acquired without contracts as required by Federal law? Why are VA senior procurement and finance officials not actively enforcing acquisition and fiscal laws?

You have just heard Mr. Murray provide the VA's official statement in response to your request for this hearing. There are no false affirmations in our statement that I am aware of. However, senior leaders before you today know the Department is not telling the whole story. We hope you won't ask us any questions that will force us to tell you about the important pieces we've premeditatedly left out. If you happen to ask us about what we've failed to tell you, we hope we can answer your questions in such a way as to quickly extinguish potential follow-on questions. In short, obfuscation is our game.

I will no longer be a party to these VA games. The vaunted Veterans Affairs ICARE values, with Integrity being first, make an attractive lapel pin, but little else if we don't live these values daily. We continue to flout Integrity, the most basic and necessary foundational footing, the very core of our being.

In the recent past, because VA senior leaders would not conduct themselves appropriately, I was forced to request assistance from Congressional members. For instance, Rep. Donnelly, now Senator Donnelly, assisted me in halting ubiquitous violations of Federal law in the procurement of VA pharmaceuticals in 2012, through hearings he mustered. Former Rep. Buyer assisted me twice in arresting massive

violations in the use miscellaneous obligations, in 2008 and again in 2010, through hearings.

In 2013 I attempted to report massive, illegal acts to the House Oversight and Government Reform Committee, including matters involving illegal purchase card use. I was thwarted in my efforts when that Committee's Senior Counsel and a VA Senior Acquisition Executive, who are friends, conspired to keep my letter from Chairman Issa.

Approximately seven weeks ago, I disclosed illegal matters in a 35-page report to Secretary McDonald, which included recommendations going forward. My labors have not yet been acknowledged. I took to heart the Secretary's invitation for "whistle blowers" to step forward. I believed the Secretary was sincere when entreating all VA employees to abide by words found in the West Point Cadet Prayer "*Make us to choose the harder right instead of the easier wrong.*" However, I hope we can also live up to the remainder of the sentence in which those words are contained, which reads "*and never to be content with a half-truth when the whole can be won.*"

Mr. Chairman, this concludes my testimony. I am prepared to answer questions you or other members of the Subcommittee may have.

March 19, 2015

Secretary McDonald,

I am writing to make you aware of massive violations of acquisition and fiscal laws and regulations, which have and continue to take place in the Department of Veterans Affairs. This correspondence details gross mismanagement by senior VA officials, who intentionally looked the other way, avoided their inherent responsibilities, distorted the truth and/or withheld information to avoid responsibility. The scope of this mismanagement and unlawful acts encompasses billions of dollars appropriated by Congress in support of our veterans. I will also make recommendations that you may consider to get the VA back on track.

INTRODUCTION:

Each of us engaged in the Federal acquisition process has an overriding responsibility to taxpayers. Those of us in acquisition leadership positions must always lead in a manner so as to maintain the public trust, while upholding the integrity of the Federal acquisition and financial systems. Senior Veterans Affairs acquisition officials, such as the VA Chief Acquisition Officer (CAO), Senior Procurement Executive (SPE) and Heads of Contracting Activities (HCAs) have paramount roles. We must work in concert to provide superior support to front-line veteran caregivers, while ensuring all laws and regulations are strictly adhered to.

Over the past five years, some senior VA acquisition and finance officials have willfully violated the public trust while Federal procurement and financial laws were debased. Their overt actions and dereliction of duties combined have resulted in billions of taxpayer dollars being spent without regard to Federal laws and regulations. Their actions and/or inactions have and continue to waste scarce government resources, and make a mockery of Federal laws and the acquisition and finance systems.

I am not aware of a single senior acquisition leader being held accountable for wrongdoing or dereliction in the nine years I've been in my present VA position. This is in spite of numerous OIG reports declaring serious waste, fraud and mismanagement verdicts. Unfortunately, there is much that has not been investigated and reported, as detailed below. How can we hold front-line subordinates accountable if senior leaders are not held accountable for dereliction or malfeasance? I'm sure you are aware of the recent criminal allegations against VA Senior Acquisition Executives Iris Cooper, Wendy McCutcheon and Susan Taylor as published in VA Office of Inspector General reports. All are now departed from VA. Unfortunately Department of Justice declined to prosecute them, so none were held accountable for flagrant violations of Federal statutes.

Lamentably, as detailed below, there have been efforts by some senior VA officials, including members of Office of Acquisition Logistics and Construction, Veterans Health Administration, Office of General Counsel, Office of Inspector General, and

Office of Management, to camouflage and obfuscate wrongdoing. Those few leaders who have demonstrated their opposition and taken responsible actions to underscore violations of laws have been scorned, intimidated and reprisal against.

While intentional violations of Federal acquisition and fiscal laws add to the VA's now infamous "corrosive culture" recently cited by the White House, these unlawful acts may potentially result in serious harm or death to America's veterans. When VA procures pharmaceuticals, non-VA health care or medical devices without terms & conditions afforded via written contracts, or by officials without proper authority to enter into contracts, the government forfeits all legal protections afforded by contract law. For instance, pharmaceuticals and medical devices procured without contractual terms & conditions may result in products not meeting efficacy and safety mandates.

Recent revelations of biologics purchased without contracts are prime examples of potential dangers to America's veterans engendered through intentional breaches of laws and regulations. Without contracts, Food and Drug Administration certifications are not a legal requirement, nor are Trade Agreement Act or Made-in-America provisions. Acquired non-VA medical services, sans contract terms & conditions, are devoid of required safety and efficacy outcomes. Unfortunately, the government has little recourse if veterans are harmed by products or services obtained without protection of contract terms & conditions. Separately, each of these breaches of law may endanger the lives of VHA medical recipients. Collectively, I believe they serve to decay the entire VA health-care system.

In addition to violations of law and potential harm to veterans, waste is endemic when contracts are not executed. Doors are flung wide-open for fraud, waste and abuse. For example, by law, prices paid for goods or services subject to contracts can only be determined to be fair-and-reasonable by duly appointed contracting officers. If contracts are not executed as required, no fair-and-reasonable price determination will have been made. I can state without reservation that VA has and continues to waste millions of dollars by paying excessive prices for goods and services due to breaches of Federal laws. I can also state without reservation that billions of dollars have been improperly paid to vendors because contracts were not properly executed, and ratifications were not accomplished in accordance with VA and Federal regulations. I will provide examples below.

In addition, traceability and auditability of public funds spent without regard for established laws and regulations are difficult if not impossible to realize. By statute, the public is required to be informed of all acquisition expenditures above \$3000, to help ensure transparency and accountability. This mandated data must be recorded in the Federal Procurement Data System (FPDS), which is accessible by the general public. When contracts are not executed or executed improperly, taxpayers may not be afforded access to data describing these expenditures.

As VA's Senior Procurement Executive, it is my professional opinion the VA has understated its annual acquisition spend at a minimum in the range of \$5B each of the past five years, due to our inexcusable failure to acquire a substantial quantity of goods and services in accordance with Federal laws and regulations. Because we have not always properly contracted for good and services, we have not recorded our illegal expenditures in FPDS. Taxpayers have no idea how very sizable portions of VA's Congressional appropriations are being spent, which the law demands. We have effectively "hidden" our illegal transactions from public scrutiny. My estimate above is conservative. In FY15 I certified the Department FPDS spend to OMB at \$19B. Our reported FPDS spend may be indeed be understated by as much as \$6B - \$10B annually.

Also, VA small-business goal accomplishments have been and continue to be vastly overstated. Illegal obligations sans contracts are not posted to FPDS, and are thus not properly included in calculations to determine Federally mandated small-business goals. We have announced each year since 2008 that we have exceeded our directed goals for Veteran-Owned and Service Disabled Veteran-Owned Small Businesses. The stated percentages touted are absolutely false given the immense inaccuracy of denominators used to calculate these annual percentages. Sadly in my opinion, in addition to our illegal acts, we've duped the veteran-owned business community we are required by law to advocate for.

The overarching questions are these: How is it possible the VA procurement and finance systems have been allowed to operate where billions of dollars in goods and services are acquired without contracts as required by Federal law? At the tactical and strategic levels, what fiscal checks & balances are absent that would ensure payments are only made against invoices where funds have been legally obligated? Why are VA senior procurement and finance officials not actively enforcing acquisition and fiscal laws? Why haven't senior officials responsible for well-documented violations of public trust been held accountable? How are laws knowingly breached without Office of General Counsel rendering opinions to the contrary? And finally, how do we transform our present operations to comport with Federal laws and regulations, while continuing to support our veterans?

[Note: There are significant operational changes required in VHA's supply chain and non-VA health care processes to enable compliance, including major transformations involving policy, people, processes, and technology. In case you don't know it, VA's financial system is woefully outdated, and we've previously wasted approximately \$500M in two failed attempts to replace it. Given our lack of an integrated finance and logistics IT system, we have no method to perform commitment accounting. We have no method to link obligations with contracts, except with manual entries into the VA contract writing system. We have no method to maintain accurate order, receipt and consumption records on billions of dollars worth of products used on a daily basis in VHA hospitals, and our 900+ medical facilities can only cross-level inventories via phone, fax or email. The VA is operating one of the world's

largest health care systems without a 21st century suite of IT business management processes. Those outdated systems in place are largely left without proper maintenance and are unstable. This deficit has been well known for over a decade, without positive remedial actions by VA senior leaders].

You are probably already pondering how the malfeasance and neglect cited above and detailed more broadly below has escaped the VA “independent” auditors. I will allow you to draw your own conclusions from reading this document. However, it is not supposed to happen this way. The Federal Managers’ Financial Integrity Act of 1982, as outlined in OMB Circular A-123 - Management’s Responsibility for Internal Control, states management has a fundamental responsibility to develop and maintain effective internal controls. Programs must operate and resources must be used consistent with agency missions, in compliance with laws and regulations, and with minimal potential for waste, fraud and mismanagement.

Further, OMB Circular A-123 requires Agencies and individual Federal Managers to take systematic and proactive measures to (1) develop and implement appropriate, cost-effective internal controls; (2) assess the adequacy of internal controls in Federal programs and operations; (3) separately assess and document internal control over financial reporting; (4) identify needed improvements; (5) take corresponding corrective actions; and (6) report annually on internal control through management assurance statements.

There are many senior leaders responsible for the serious problems outlined in this document. However, the VA Chief Management Officer is the last line of defense with regard to internal controls. Their failure to recognize and report the glaring deficiencies I describe throughout this document is, in my opinion, a significant defect in our strategic governance system. It doesn’t take genius nor an auditor to recognize VA internal records are not in equilibrium. For instance, if we report \$19B in annual spend via FPDS, and VA financial records reflect dollars obligated for products, services and construction don’t closely approximate this amount, then something is seriously awry. This very basic but significant discrepancy should have been examined and explained by the Office of Management. It has been observed for a number of years but simply ignored, almost as if billions of dollars represent a rounding error. There are five career SES members subordinate to the CFO who are aware of these serious issues but have done nothing to mitigate them. In fact, when I recently brought these issues to their attention they were demonstrably unhappy I broached the subject.

I am a voting member of the VA Senior Assessment Team (SAT), Chaired by the VA Deputy CFO. The SAT oversees remediation of programmatic control weaknesses detected through VA’s internal control reviews under OMB Circular A-123. In 2014 the SAT voted to raise the reporting threshold for material weaknesses from approximately \$400M to \$1B. I am convinced this action, sponsored and endorsed by the VA Chief Management Office, is not designed to support improved

governance. In fact, in my opinion it may have been done to disguise potential material weaknesses. In the same meeting wherein the council voted to raise the threshold for material weaknesses, they also voted to drop an inquiry into mismanagement of monies related to purchase of non-VA medical care (Fee Basis Care). This was in spite of my forceful plea to maintain this agenda item, given the billions of dollars in illegal expenditures currently being obligated on non-VA medical care. **[Note: I will describe these ongoing illegal actions related to “non-VA medical care” or “Fee Basis Care” below in detail].**

PERTINENT BACKGROUND AND LANDSCAPE:

I have heard several times since your arrival that you and Deputy Secretary Gibson would prefer not to dwell on what has happened in the past. I appreciate your sentiments and fully understand your intent to focus on the future. However, I don't apologize for relating history. What's past is prologue. I don't feel you can possibly appreciate the corrosive culture that still exists in some elements of VA, unless I provide you this information. You are currently relying heavily on several high-ranking executives to transform the Department into “MyVA.” You need to be aware that some of the same executives you are relying on have profoundly engaged in malfeasance and obfuscation.

In addition, unpleasant as it may be, there is much unfinished business related to cleaning up the lawlessness and chaos I am describing in this report. We can't sweep it under the rug. Billions of dollars in illegal purchases must be adjudicated via ratification of unauthorized commitments. As described below, these illegal actions occurred before your arrival and continue. We must take appropriate actions prescribed by Federal fiscal law and the Federal Acquisition Regulation, to document and ratify these illegal acts. Unauthorized payments are being executed daily and must cease. Those responsible must be identified and held accountable. In my opinion, without an honest, sincere effort in righting these wrongdoings, we will never restore proper governance and regain public trust.

The VA CAO, Glenn Haggstrom and myself became aware that Veterans Health Administration was wantonly violating Federal procurement laws with regard to procurement of pharmaceuticals on March 29, 2011. I served then as now, as VA's SPE, and we discovered these facts simultaneously at a meeting on that date. During that meeting I immediately directed VHA cease violating the law. **[NOTE: These illegal activities resulted in hundreds of millions of dollars in illegal pharmaceutical purchases across multiple years. Given no investigation was ever conducted, total dollar amounts are impossible to calculate and they could well constitute over a billion dollars].** The CAO instantly undermined me, and would not allow my directive to stand. From that date until August 2012, he provided no support to me whatsoever in my efforts to stop the VA from illegally procuring pharmaceuticals. In fact, he blatantly disregarded his fiduciary responsibilities and impeded my efforts as the SPE to enforce public law. In

addition, I allege he and others intentionally withheld information concerning these unlawful acts from the VA Secretary, which I will detail below.

The Department CAO's responsibilities are statutorily derived and unambiguously defined. The CAO's overarching purpose is to advise and assist the Secretary, who serves as VA's Head of the Agency (HA) in all matters pertaining to acquisition. As enumerated in the Services Acquisition Reform Act of 2003, the CAO's duties include but are not limited to the following responsibilities:

1. Monitor the performance of acquisition activities and acquisition programs of the Agency;
2. Evaluate the performance of those programs on the basis of applicable performance measurements; and,
3. Make acquisition decisions consistent with applicable laws, and establish clear lines of authority, accountability, and responsibility for acquisition decision-making.

I have purposely emphasized the underlined portion directly above. Because the CAO would not support me with regard to cessation of unlawful pharmaceutical purchases, I met with other VA senior officials above and parallel to him, reporting these unlawful acts and requesting their assistance. These officials included Senior VHA officials, the former CFO, senior members of the CFO staff, the VA Chief of Staff, as well as two senior members of the Chief's personal staff. All elected not to act. I concluded they did not act in an effort to shield the Administration from potentially embarrassing disclosures of unlawful acts.

I also reported violations to the Office of Inspector General on more than one occasion. The OIG declined to act as well. As a former Army Inspector General, I found this incomprehensible. **[NOTE: I did not file a formal written complaint with the VA OIG because I did not trust they would maintain my confidentiality. As it turned out, The VA Chief of Staff later contacted the OIG and my boss, actively attempting to find out if I had made a formal OIG complaint. They told him I had not, instead of refusing to answer his inquiry, which was their duty. Much to my dismay, Mr. Haggstrom asked me point blank in writing, in response to Mr. Gingrich's inquiry, if I had filed a formal complaint with the OIG. Inquiries as to whether I filed OIG complaints by both of these senior leaders are blatantly illegal, and support my earlier decision not to file a written OIG complaint].**

I maintained comprehensive notes during this entire time period, and developed a compendium of these notes with attached documents to substantiate my position. My purpose was to prepare myself for a formal investigation, which I believed would surely ensue **[NOTE: the Secretary informed Congressman Joe Donnelly in a letter dated December 20, 2011 that a VAOIG review would be conducted and provided to Congress. I was never questioned. None of my staff involved in these matters were questioned. No comprehensive investigation was ever conducted in spite of Secretary Shinseki's assurances to Congress].**

Throughout this period, the CAO failed to fulfill his fiduciary responsibilities. His repudiation of Federal laws, willingness to look the other way for political expediency, and his complicity with VA and VHA senior leaders (including VA Chief of Staff, VHA Under Secretary for Health, VHA Deputy Under Secretary for Health for Operations and Management, VHA Assistant Deputy Under Secretary for Health Administrative Operations, and VHA's Chief Procurement Officer are clear evidence in my mind of serious lapses in his professional judgment as CAO. I don't make these allegations lightly, and have extensive documentation to support my assertions.

Because I could not get those above me to assist in cessation of these illegal matters, nor gain support from the VA Office of Inspector General, I determined my only choice was to seek assistance from Congress. As a result, I arranged a meeting with Representative Joe Donnelly, then a member of the House Veterans Affairs Committee (HVAC) **[NOTE: Mr. Donnelly has subsequently been elected as a member of the Senate]**. I met with him one evening late in October 2011 at his Washington, D.C. residence, along with several members of his legislative staff. He immediately took substantial and forceful actions based on my disclosures. He began by sending Secretary Shinseki a letter dated October 28, 2011 requesting specific information on the Pharmacy Prime Vendor (PPV) program. Congressional hearings were held in January and February 2012 on these matters due to Mr. Donnelly's personal intervention.

The Secretary assured Congress that VA's lawless actions in these matters ceased. In a December 20, 2011 response to Rep. Donnelly's letter, Secretary Shinseki stated, "as of November 10, 2011, VA no longer permits open market purchases through the pharmacy prime vendor (PPV) contract." In other words, the Secretary informed Rep. Donnelly that VA's illegal activity with regards to procurement of pharmaceuticals without contracts had ended.

I believe Secretary Shinseki unknowingly misinformed Congress in his December 20, 2011 letter cited above. In fact, VHA continued their unlawful procurements, amassing 9700 illegal actions valued at approximately \$4M between November 2011 and August 2012 **[NOTE: These were self-reported by VHA, and the actual number of illegal actions may be far greater]**. I continued reporting this lawlessness to my contacts in the HVAC. The VA CAO, as well as other senior VA and VHA Officials also knew unlawful acts were occurring, but none of them disclosed these violations to the Secretary.

The CAO did nothing in his role to force cessation of illegal activities, or hold those accountable who violated the law. Worse in my view, he and other VHA senior leaders conspired to withhold this information from Secretary Shinseki. This deliberate deception continued throughout, and is reflected at its latest in a December 19, 2013 report signed by each of these senior officials to Secretary Shinseki, reflecting there were no illegal activities. Secretary Shinseki was duped, as no unauthorized commitments were reported as having occurred in the PPV

program after December 20, 2011. Notably, although I am the VA Senior Procurement Executive, I was not a signatory to this major report on the state-of-procurement in VA. I can think of no other reason I was not asked to sign the report except for the fact it contained false information, which I would have utterly renounced, thereby forcing the revelation of these illegal activities.

Several VA senior officials, who testified during the January and February 2012 pharmaceutical hearings referred to above, knowingly deceived the HVAC while under oath. For instance, hearing testimony by VA's senior official, Deputy Secretary Gould, reflects those complicit in the illegal matters had retired or moved on, and thus nobody could be held accountable. This was a false statement. There had been no investigation of the matters in question. In fact, one of the Senior Executives sitting at the witness table had been responsible for the VHA pharmaceutical program for many years. This same Senior Executive testified he had just recently learned of the illegal activities. His testimony was deceptive. I have documents in my possession irrefutably demonstrating he was aware of the illegal acts on May 28, 2009. Additionally, he had briefed myself and the VA CAO on March 29, 2011, wherein he stated he knew these activities had been underway "for at least 15 years" prior.

As previously stated, no appropriate investigation was ever conducted into these matters. No persons were held accountable for these violations of law. The matters were simply swept under the rug, and senior VA leadership directed my office to approve an "institutional ratification" for thousands of unauthorized commitments worth hundreds of millions of dollars. Public trust and accountability for Federal laws and the acquisition system were thrown-to-the-wind in favor of political expediency. The fact nobody was held accountable resounded throughout the Department, and I believe gave succor to those who chose to continue violating laws, which I have detailed below.

[NOTE: I was not uninitiated in having to take extraordinary actions to move the Department into compliance with procurement and fiscal law. In 2010, I learned the Department was continuing to purchase products and services without contracts, using "miscellaneous obligations" in lieu of contracts. Because I was unable to convince senior officials, including my supervisor, that it is illegal to purchase without contracts, I sought assistance from the House Veterans Affairs Committee. I met with a senior HVAC staff member, outlining my concerns and recommendations. I received extraordinary support from Rep. Steve Buyer in these matters. HVAC hearings led to major changes in VA processes with regard to miscellaneous obligations. Unfortunately, illegal activities are still taking place with regards to miscellaneous obligations, as I learned during a February 2015 visit to a major VHA medical center].

In spite of assurances by Congress that it would not happen, the details of my whistleblowing with regard to pharmaceuticals were spread extensively. There is

no question in my mind that members of Congress or their staffs reported my whistleblower activities to VA senior leaders before the hearings convened. In fact my whistleblower actions were so well known that a senior staff member of the Senate Veterans Affairs Committee told me he had been informed prior, and humorously related he attended the hearings to “observe the debacle.”

Congress subpoenaed thousands of documents related to these matters from myself and six other VA SES members. In this process I was forced to provide all pertinent documents to the VA Assistant Secretary for Public and Intergovernmental Affairs. These included my comprehensive written notes concerning sensitive matters that only an independent investigatory body should have been privy to. This Assistant Secretary, working on behalf of Secretary Shinseki, was able to see each and every document before they were passed on to the VA Chief of Staff, Deputy Secretary, Secretary, and subsequently to Congress. It was truly a witch-hunt, and in my opinion, a prohibited personnel practice aimed at a whistleblower. Through this process I was identified conclusively as the whistleblower to the very leadership who refused to support me in my endeavors to uphold public law.

Secretary Shinseki had staunchly refused to support me in my actions to bring the Department into compliance with the law regarding illegal pharmaceutical purchases. During a meeting with the Secretary and other senior officials on December 15, 2011, Secretary Shinseki forcefully attempted to gain my concurrence with his declaration that purchasing without Federal contacts was “improper” versus “illegal.” I was the lone official in the room who refused to agree with him. He became very angry with me and ordered me to shut up while explaining to him why our actions were illegal. He stated he wanted to hear no more from me. In the same meeting, Mr. Haggstrom very forcefully and unprofessionally attempted to coerce me into telling the Secretary what he wanted to hear.

Representatives from the Office of General Counsel (OGC), also present in the above meeting, gave the Secretary what I considered to be extremely misguided legal advice in this matter. It was OGC who encouraged him to declare our illegal actions to be “improper.” The senior OGC member in attendance had previously told me it was “counsel’s mission to protect the Secretary and the Department.” Her advice to the Secretary reflected her previously stated opinion. I steadfastly maintained we committed illegal acts and it was our duty to protect the taxpayers, not the administration. During subsequent HVAC hearings on these matters, Congressional members overwhelmingly vindicated my position.

I will not comment on the former Secretary’s integrity. However, on that particular day, and in that particular moment, I believe he sent a clear message to everyone in attendance. The central message was compliance with Federal laws and regulations in VA was not required, and if and when revelations of improper activity emerged, obfuscation was an option. Recent VA scandals regarding veterans’ access to care strongly corroborate my position.

In March 2013, due to continuing revelations of unlawful acquisition activities and after receiving absolutely no assistance from the CAO in effecting their cessation, I recognized the need to seek outside assistance. I decided to notify the VA OIG, although I had misgivings about doing so. My misgivings were due to their previous reluctance to investigate illegal activities I had referred to them regarding pharmaceuticals, as indicated on page six of this report. On March 4, 2013, I forwarded a written hotline complaint to the OIG. A Senior Executive in OIG responded to my complaint with scorn. That official phoned me, questioning my motive for submitting the hotline. Her drift was that I had a "hidden agenda."

I was infuriated by the OIG's response. As a former U.S. Army Inspector General, I understand the roles and responsibilities of Inspectors General, and the response I received from the OIG to my hotline complaint was clearly perpendicular to the oath of impartiality Inspectors General swear to uphold. On April 2, 2013 I wrote a follow-on note of concern to a different Senior Executive in OIG, expressing my displeasure. I informed her I would not be second-guessed by the OIG, and would not be derailed in my pursuit of accountability. On April 10, 2013 I received a reply from the OIG, stating they had opened a case based on their review of information I submitted. I do not know if they ever pursued an investigation, but I assume they did not, as I was never interviewed.

At that point I knew I would receive no assistance from my supervisor, Mr. Haggstrom. It was also obvious neither the VA Secretary nor his senior staff would assist. They appeared only to be interested in covering up violations of public trust. I also could not trust members of the House Veterans Affairs Committee to assist, given they had previously revealed my role as the whistle blower regarding illegal VA pharmaceutical purchases, as detailed above.

I believed I had exhausted my options for assistance in bringing to cessation the illegal matters I had observed. As such, I wrote a letter of concern to the Chairman, House Committee on Oversight and Government Reform on June 2013 (**Attach A**). At the recommendation of a trusted former Office of Management and Budget (OMB) acquisition official with whom I sought counsel, I hand-carried this letter to the Rayburn House Office Building.

I met with Mr. Rich Beutel and a female colleague of his. Mr. Beutel was then a Senior Counsel on the House Committee on Oversight and Government Reform. In my letter, I outlined my concerns to Chairman Issa. My concerns included the fact that in addition to no one being held accountable for violations of law with regard to pharmaceuticals, VA continued to grossly violate procurement and fiscal laws in other arenas. These included millions of dollars obligated above the micro-purchase level by government purchase cardholders without required contracts. It also included my concerns that millions of dollars worth of prosthetic devices were being purchased without contracts, and that billions of dollars worth of non-VA health care were being purchased without regard for existing laws. I requested his

assistance in bringing these unlawful activities to the attention of the Committee, in an effort to effect their termination.

My letter never made it to Chairman Issa as I intended. Mr. Beutel apparently made the unilateral decision not to advance the letter beyond his level. As I later learned, his reason may have been calculated. I subsequently discovered Mr. Beutel is a friend of Mr. Norbert Doyle, VHA's Chief Procurement Officer and HCA. I learned they had previously worked closely together on a Department of Defense Commission several years earlier. Perhaps due to their friendship, Mr. Beutel collaborated with Mr. Doyle to keep the information out of Chairman Issa's hands. The information was potentially very detrimental to Mr. Doyle and VHA. A few weeks after I submitted the letter and supporting documentation, I called Mr. Beutel to inquire about progress regarding the proceedings. Mr. Beutel was blunt, telling me he had "more pressing issues to pursue." I thanked him and told him I would drop by his office after work and pick up my package of supporting documents. When I picked up the package, it included an email Mr. Beutel undoubtedly never intended for me to see (**Attach B**).

I was dumbstruck by Messrs. Beutel and Doyle's behavior, but even more so with Mr. Beutel. I entrusted him, a senior staff member on the House Oversight Committee, and he betrayed not only my trust, but also the trust of the American public. He violated his duty of impartiality by conspiring with his friend Mr. Doyle to keep my legitimate pleas for assistance from a member of Congress. The fact he inappropriately handled my documentation of improprieties, and improperly allowed my confidential documents to be perused (and perhaps photo copied and distributed) by Mr. Doyle is beyond the pale. His email note to Mr. Doyle, wherein he thanked him for "taking immediate steps to preserve Committee confidentiality" is incongruous. The only confidentiality he appeared to be concerned about preserving was his own in this illicit conspiracy, as well as concealing his dereliction of duties. Had he been concerned about "Committee confidentiality" he would not have shared my letter with his comrade Mr. Doyle. He certainly didn't preserve my confidentiality, as was his obligation. To confess he violated the covenants of his Congressional position in a written admission is flabbergasting, given the fact he is a trained attorney.

Mr. Beutel's underhanded deeds were subsequently compounded against me many times over. I am categorically convinced Mr. Doyle spread the word of my whistle blowing actions to his superiors and mine at VA. Suffice it to say Messrs. Beutel and Doyle's corruption have and continue to make it very unpleasant for me following my unsuccessful, duty-bound attempts to bring VA in compliance with Federal laws.

CONTINUING MALFEASANCE:

I relate the instances above to set the stage below. The lawlessness and malfeasance have persisted unceasingly since my failed attempt to bring it to the attention of Chairman Issa in June 2013. Below is the history and update on each of the items I

attempted and failed to report to Congress. They are not consistently arranged in chronological order:

Non-VA Healthcare Unauthorized Commitments: On July 11, 2014, I was directed to attend a meeting regarding veterans' access to care. The VA Chief-of-Staff, Joe Riojas, headed the meeting. There were many senior VA personnel at the meeting, including Dr. Jim Tuchs Schmidt, Phil Matkovsky, Dr. Carolyn Clancy, Lisa Thomas, Tammy Kennedy, Richard Hipolit, Phillipa Anderson, Helen Tierney, Ed Murray, and Ford Heard. Mr. Rob Nabors, a senior White House advisor, also attended the latter portion of the meeting. The entire two-hour meeting centered on access to veterans health care, and specifically the obligation of funds related to non-VA health care (commonly referred to as "Fee Basis Care" or "Fee Care").

The meeting became extremely unpleasant for me almost instantly. VHA leaders advanced a scheme wherein it was proposed I would sign a waiver as the VA Senior Procurement Executive, allowing up to 4000 unqualified persons to sign contracts for "Fee Basis Care." VA's Office of General Counsel also sponsored and supported the plan. It appeared Mr. Heard and I were the only persons in the room opposed to this scheme, which had apparently been concocted before this meeting without my knowledge. I spent two of the most miserable hours of my professional career countering their points, resisting their coercion, and arguing my positions on the matter.

Their plan was illegal; plain and simple. I pointed this out from the start, but that didn't keep them from applying intense pressure on me to concur and get on with it. I was literally ganged up on by VHA, OGC and the VA Chief Financial Officer, and threatened implicitly during the meeting by the VA Chief-of-Staff. I forcefully argued their scheme would violate existing law. I contended their scheme would be an extension of unlawful acts conducted by VHA for many years in their administration of Fee Basis Care, and was not a viable solution to the problem. Twice during the meeting I asked Mr. Riojas why he desired to perpetuate VA's lawless ways through the scheme presented by VHA and OGC. Both times he directed me to address my questions to a senior OGC member at the meeting, declaring she was in charge. His reply was perplexing, as in my experience counsel is never in charge of programs. Counsel's purpose is to provide legal advice only.

Throughout the course of the meeting, I pointed out VHA had been violating the law for many years, and current and past senior leaders knew of this malfeasance. I stated the former VA Secretary, Mr. Shinseki, had been briefed in May 2013 regarding this matter, remarking I had not been invited to the meeting by VHA for obvious reasons. I denounced both VHA and OGC personnel for these massive and continuous violations of law and for taking no positive actions to stop the illegal behavior. I inquired several times as to what caused their epiphany.... their sudden insistence late on a Friday afternoon the law must now be observed, given they had blatantly ignored my appeals for earlier compliance. The OGC responded that Department of Justice had recently ruled the VA must consider all Fee Basis Care

actions as being FAR-based, and that was the reason for utmost urgency. **[NOTE: In fact I had written an email to Messrs. Haggstrom, Schoenhard, Matkovsky, Doyle and Ms. Anderson over a year earlier in January 2013 requesting they assist me in moving forward to bring us within Federal law for Fee Basis Care contracting. Neither my supervisor, Mr. Haggstrom, nor any of the others included on the message responded in any way to my appeal for assistance].**

I simply could not comprehend their urgency in demanding my immediate concurrence with their nefarious scheme. They had not so much as even acquainted me with their scheme prior to the meeting. Now they were essentially presenting me a *fait accompli*, demanding I concur with a plan in which I positively believed violated Federal procurement laws. I persistently and forcefully refuted their plan. Twice, the Chief-of-Staff threatened me, telling me because of my intransigence, he would be forced to call the Secretary and tell him "Fee Basis Care to veterans must end immediately, and we will not be able to care for veterans." His intent was clear. He was attempting to intimidate me to make a decision that was illegal and irrational. I considered his remarks extremely coercive and unmitigated bullying, and I told the entire assemblage as much more than once. I also remarked twice that this was further example of the "corrosive culture" recently cited by Mr. Nabors in the VA access-to-care scandal White House report.

At one point, the discussion became so sufficiently heated that White House senior advisor, Mr. Rob Nabors, was summoned into the meeting. He listened to the contrasting arguments from others and myself, and essentially agreed with me. His stated opinion was that even if I agreed with the instant scheme, signing a waiver that very afternoon, VHA would be in breach of law for many months or perhaps years, given the significant amount of time needed to develop and implement the proposed new processes, which would include the OMB rule-making process. The end-of-meeting conclusion was that a solution, or proposed way ahead, could wait until the following Monday.

We began crafting a solution the following Monday. Nine months later, nothing has been altered in the process. Illegal activity continues unabated. The representations and proposals provided by OGC to "fix" the illegal behavior in the July 11, 2014 meeting proved to be largely frivolous upon further examination. In fact, the senior OGC official inciting me to agree with their scheme on Friday, July 11, reversed her position nearly 180 degrees the following Monday. Her turnabout nullified almost everything she had previously confidently cited as legally defensible on July 11.

Demonstrating how truly onerous and manifold this task actually was, we worked collaboratively for over four months following the July 11, 2014 meeting, developing a viable solution. However, VHA's Phil Matkovsky thereupon summarily rejected the collaborative solution, in spite of the fact his senior subordinate co-led the integrated process team. While the result met all elements of Federal law, he contemptuously rejected it stating it did not "go far enough" in his opinion. It was

clear in my mind Mr. Matkovsky had no interest in conforming to Federal law. He wanted it the way he wanted it, and the law be damned.

[NOTE: Congressional HVAC hearings were held in July 2008 and again in July 2010, with considerable examination of inadequate internal controls over fiscal matters at VA. During these hearings, there was much discussion of Fee Basis Care as it relates to miscellaneous obligations. At that time within VA, Fee Basis Care was declared to be outside the FAR. This declaration was made by the Assistant Secretary for Management in 2008, in the days leading up to the July 2008 hearings, and done so in his role as the VA Chief Acquisition Officer. OGC supported his decision. I did not agree with his interpretation and told the CAO as much. Given the fact governance of Fee Basis Care is defined and administered under the VA Acquisition Regulation (VAAR), which is the VA supplement to the FAR, in my view there is no plausible way to interpret the administration of this program to be outside of the FAR. It is my opinion this 2008 CAO interpretation was hastily crafted and declared in an attempt to avoid the ire of Congress. Had the HVAC been informed we were violating Federal law, administering Fee Basis Care without required Federal contracts, Congress would have reacted in a very negative way. Thus, in my opinion, the CAO simply declared them not subject to the FAR to avoid potential wrath. A follow-on hearing was conducted on July 28, 2010. In that testimony, and while under oath, the entire VA panel (Messrs. Murray, Downs and Frye) testified Fee Basis Care was not subject to the FAR. My testimony was guided by the CAO's 2008 declaration and OGC's legal concurrence in his declaration. Unknown then to myself and my staff, OGC had issued a written legal opinion on September 10, 2009, declaring Fee Basis Care to be contractual in nature, subject to the VAAR and FAR. I was totally unaware of this legal opinion until February 2013, when it was provided to me by OGC. Had I been aware of this 2009 legal opinion, my sworn testimony would have been very different in front of the HVAC on July 28, 2010. VA panel members at the hearing collectively provided the HVAC false information, absolutely contrary to the October 2009 OGC opinion. In retrospect, it is indefensible that OGC would knowingly allow VA executives to testify in error to Congress. OGC was involved in preparatory meetings with panel members to ready us for the hearing, and no mention was ever made of their 2009 legal opinion].

The non-disclosure of illegal acts to Congress by VA senior leaders in 2010, as cited immediately above, is reprehensible in my opinion. I unknowingly provided false testimony. Other members of the panel, especially those from VHA, may have been aware of the September 2009 OGC opinion. **[NOTE: The OGC opinion had been provided expressly to the VHA Acting Under Secretary for Health].** If others on the panel knew of the OGC opinion, they may have lied under oath.

It is obvious to me OGC has and continues to obscure facts. As indicated on the page above, in the contentious meeting on July 11, 2014, when I inquired as to the dire urgency being imposed upon me to sign a Departmental waiver, OGC responded that

Department of Justice (DOJ) had recently ruled the VA must consider all Fee-Basis actions as being FAR-based, and thus the necessity for instant actions. There is no doubt in my mind this was an intentional deceptive declaration by OGC. The senior VA OGC official citing DOJ's ruling as the impetus for urgency, knew VHA had been violating the law since at least 2009. After all, OGC had authored and promulgated the legal opinion declaring Fee Basis Care to be FAR-based. Based on my written inquiry in January 2013, OGC had confirmed in writing the fact VHA was violating the law. **[NOTE: Others included in this correspondence were Messrs. Matkovsky, Foley, and Heard].**

In April 2013, I requested assistance from OGC in moving forward to accomplish ratifications against unauthorized commitments in the Fee Basis Care program. A senior OGC official responded, "While the DaVita case is still in play, I recommend not moving forward." And finally, as previously stated above, Secretary Shinseki had been briefed and was provided a white paper in May 2013, wherein it was pointed out to him VHA was violating the law.

In May 2013, I provided written certification to Judge M.E. Coster Williams, in the U.S. Court of Federal Claims that as VA's Senior Procurement Executive, neither I, nor my office, have granted any delegation of contracting authority in any greater dollar limit exceeding \$10,000 to the officials set forth in VAAR 801.670-3. My certification was required in response to ongoing litigation in The U.S. Court of Federal Claims, in the case of Davita, Inc. v. The United States. The VA OGC drafted my legal declaration. OGC knew full well at this time that billions of dollars had been unlawfully obligated by VHA in amounts exceeding \$10,000 per transaction. My certification is irrefutable proof the OGC knew VHA was violating the law prior to July 11, 2014.

Bafflingly, given all the above correspondence and discussions early in 2013, including revelation of the October 2009 legal opinion, OGC led everyone in attendance at the July 2014 meeting to believe DOJ's "recent decision" was the momentum behind the urgent need to comply with the law. They knowingly led the assembled group to believe this was an emerging event. In fact it was old news, and OGC knew full well we had been violating the law for years. **[NOTE: I believe it may have been an intentional distortion to keep the VA Secretary, at that time Mr. Gibson, from discovering the facts].** I remain confounded by this apparent lack of integrity by a number of VA senior officials in attendance at that meeting.

I have received no support from my boss Mr. Haggstrom in my pursuit to put an end to the lawless behavior with regard to Fee Basis Care. As indicated previously above, I made a plea for his assistance in January 2013. He elected not to engage.... not a single word written or uttered regarding the matter from him. His silence ended only after the contentious meeting on July 11, 2014, when he threatened me for resisting concession to the VA Chief-of-Staff in the contentious meeting. His written recriminations were and remain very disturbing to me. His illegitimate

pressure stopped abruptly when I told him I had turned matters over to the OIG at an earlier date in a Hotline complaint, and my complaint had been accepted.

On March 17, 2015 Mr. Haggstrom's interest spiked momentarily, when he inquired during a meeting in my office area as to the status of this issue. This was his first inquiry since July 2014. His interest seemed to be kindled when I reminded an assembled senior-leader group working on MyVA transformation tasks, that VHA was illegally obligating funds in the amount of \$5B annually for Fee Basis Care. His interest waned instantly after I reminded him VHA had summarily rejected the proposed solution in November 2014. Again, in my opinion he does not appear to understand his role as the VA CAO. Mr. Doyle, VHA's HCA, was also in the meeting and did not utter a word, even though the illegal acts are his direct responsibility.

As indicated on page 10 of this correspondence, I had also requested assistance from the VA OIG in this matter in March 2013. This was the related instance wherein a senior OIG official questioned my motive in reporting the unlawful behavior. Although the OIG formally accepted my hotline complaint in April 2013, I was never questioned by the OIG and am unaware of any ongoing investigation by them into these matters.

Care is still being provided for veterans without compliance with Federal laws. Each and every instance where an unauthorized commitment of government funds takes place requires ratification by a duly appointed Federal contracting officer. No ratifications have been executed. The Department continues to pay invoices for these unauthorized commitments, even though VA and Federal financial regulations prohibit payment without ratification. These are improper payments. The volume of improper payments by the VA Office of Finance is mammoth. I am told VHA obligated approximately \$5 billion in both 2013 and 2014 against the Fee-Basis Care program alone, and these violations of the law extend back many years.

We must cease this illegal activity immediately. We must then clean up the chaos created by this gross mismanagement of government funds and illegal activities. Had Messrs. Beutel and Doyle not conspired in estopping my attempts to report this illegal activity to Congress nearly two years ago, we could have been well on our way to fixing it.

Illegal use of Government Purchase Cards and Unauthorized Commitments: In October 2012, I learned government purchase cards (GPCs) were being used across the VA in violation of Federal law. The scope of the problem appeared to be enormous, covering nearly every major organization in the VA. I immediately contacted Mr. Haggstrom to outline the problem. He demonstrated little interest and provided no direction.

[NOTE: Government Purchase Cards may only be used as a procurement method up to \$3000 for products and services. These individual actions are commonly referred to as a micro-purchase. Rules for the use of GPCs for

micro-purchases are clear-cut. To the credit of all, the GPC program for micro-purchases appears to be well administered across the VA. The GPC may also be used for purposes of payment for procurements above \$3000. This is the area where enormous malfeasance has taken place in VA. Above \$3000, the card may be used only to pay a properly certified invoice against a properly awarded contract. Above the \$3000 threshold, use of the card is not a procurement method; it is only a payment method. When using the GPC for payment, all FAR rules apply. There must be a written contract executed by an authorized CO, there must be competition, there must be determination of fair & reasonable pricing, mandatory contract clauses must be applied, transactions must be recorded in FPDS, there must be separation of duties between contracting officers and payment officials, etc. Our initial discovery in October 2012, revealed the Office of Management had issued approximately 2000 VA personnel GPCs, that were being used illegally. These recipients were using these cards above the micro-purchase threshold in the same manner as micro-purchases. In other words, they were ordering products and services without required contracts, and covering up these illegal unauthorized commitments by liquidating the obligations with the GPC. My office, which provides oversight of the VA procurement system was not aware of these illegal transactions until this time, given no contracts were executed and recorded in FPDS. Again, administration and oversight of the GPC program was declared exclusive domain of the VA Office of Management a number of years ago. Written correspondence reflects senior Office of Management officials didn't understand basic Federal rules surrounding the use of cards for contract payment, while stating it was not their responsibility to ensure compliance above \$3000. These situations existed even though they alone issued the cards and are the single VA authority for proper vendor payments].

Given the lack of interest by senior officials to confront the wrongdoing, including the CAO, I submitted a Hotline complaint to the VA OIG on November 26, 2012. My Hotline complaint contained nine allegations as follows:

1. GPCs were being used on a wholesale basis to illegally purchase products and services.
2. Illegal use appeared to have been ongoing for many years, resulting in thousands of unauthorized commitments.
3. Cardholders were not being supervised, to include wholesale violations of the requirement for separation of duties between ordering and paying officials.
4. VA Office of Business Oversight had not conducted appropriate audits for purchases above the micro-purchase threshold (>\$3,000).
5. Thousands of unauthorized commitments had not been ratified as required by the FAR.
6. GPCs were being used above the micro-purchase threshold in a wholesale manner without contracts, as required by law.

7. Obligations in No. 6 above were not being entered into FPDS, in violation of Federal statute, also skewing VA small-business accomplishment.
8. GPCs were primarily issued to VHA employees, but also to employees in VA Central Office organizations.
9. Some purchases had been made to pay for Pay Pal and Amazon.COM, expenditures that are strictly prohibited.

The Government Purchase Card program is authorized under the Federal Acquisition Regulation, and is thus the responsibility of the VA Chief Acquisition Officer. Presently, and since the inception of the program in the mid-1990s, day-to-day GPC operations have been delegated to the VA Office of Management. This is a formal delegation, bilaterally executed by the CAO and CFO. Again, I want to emphasize that although authority has been delegated by the CAO to the CFO, responsibility for the program remains with the CAO. Given the above, I was puzzled with the CAO's apparent lack of concern and animation, when I presented allegations of gross mismanagement to him in a program he is overall responsible for. He clearly telegraphed to me it was "not his problem." Although I communicated regularly with him, he hardly ever communicated with me and provided no direction. Frankly, it appeared as if he was avoiding a paper trail.

The OIG accepted my Hotline complaint, and began an investigation in January 2013. My allegations were substantiated in an OIG report dated May 21, 2014. Although the OIG only investigated FY 2012 and 2013 transactions, they estimated 15,600 potential unauthorized commitments, valued at approximately \$85.6 million had been made. An OIG footnote in the report stated their estimates were the lower limit of the 90 percent confidence interval.

The problem is indeed much larger in scope than reported by the OIG, and I will provide more details below with regard to prosthetics and purchase card utilization. For instance, the OIG declined to investigate in excess of \$50M in unauthorized purchase card transactions I provided to them from the Bronx, NY VA office. They declared my finding to be "outside the scope" of their investigation, because the dollars involved were not from 2012/13.

Time elapsed from my initial complaint until the final investigative report was submitted in May 2014 was 18 months. I am very unhappy it took the OIG what I consider to be an excessive amount of time to investigate a subject that is not complex. During this unnecessarily elongated 1.5-year investigation period, lawlessness continued unabated across the VA.

Although I believe the OIG findings represent a stunning display of gross mismanagement, to date, not a single unauthorized commitment has been ratified. Not a single person at any level has been held accountable for violating the law. Office of Management SES members responsible for the GPC program received promotions and bonuses, subsequent to and in spite of these disclosures. Senior executives in organizations where illegal transactions were made also received

bonuses. It is now confirmed millions of dollars have been obligated without the benefit of contracts in violation of Federal laws, and apparently nobody is accountable.

The CAO and CFO stated in their reply to the OIG investigation they would identify specific unauthorized commitments by April 2015, and submit violations to Heads of Contracting Activities for action. I protested vociferously regarding this lack of urgency to Mr. Haggstrom, Helen Tierney and the OIG. The OIG wrote to me, stating they would look into my complaint. I never heard back from them. Mr. Haggstrom and Ms. Tierney never bothered to reply. My complaints may have caused them to speed the process slightly, as they issued reports in February 2015 to VA HCAs, requesting ratifications be processed on thousands of illegal purchase card transactions encompassing millions of dollars.

Unfortunately, the Office of Management did not complete their task, nor were they pressed by the CFO, CAO or OIG to do so. In order to determine whether purchase cards were improperly used above \$3,000, it is necessary to examine two elements. First, whether the official who used the card for payment had the authority, e.g., a contracting officer's warrant. Secondly, an examination must be made to determine if each payment transaction was the result of a properly executed contract. The Office of Management only accomplished the former. Thousands of procurements above \$3000, where payment was made with the government purchase card, must be examined to determine if contracts were executed. Procurement above the micro-purchase threshold without a written contract is an unauthorized commitment, even if the perpetrator had a CO warrant. A CO warrant does not license its holder to act outside the law. Illegal acts must be ratified to protect the government. I can state emphatically and without reservation, that over the years billions of dollars have been spent illegally without contracts using this method across VA, but primarily in VHA.

It is now almost 2.5 years since I reported the unlawful activity surrounding GPCs to the VA OIG. Many of those responsible for illegal actions have departed the VA, and the excessive lapsed time will surely render it impossible to ascertain facts in many cases. Mr. Haggstrom told me on February 20, 2015 and again on February 27, 2015 he has no idea what to do about the enormous number of unauthorized commitments.

The law is explicit. These violations of public trust must be ratified, and done so expeditiously. The CAO is responsible for the purchase-card program, and yet there was no correspondence from him to the CFO demanding compliance, nor any consideration of removing delegated authority from the CFO due to gross mismanagement. The VHA HCA, Mr. Doyle, acts as if he is not responsible for the problems in VHA, although he is totally responsible for the VHA Government Purchase Card Program and for ratification of all unauthorized commitments in VHA.

It is simply incomprehensible to me that gross mismanagement of this magnitude is "business as usual" here in the VA. I managed the government purchase card programs in three Federal organizations before my arrival here at VA, and I can assure you malfeasance such as this would never have been tolerated in those agencies. In any other government agency, this would be treated with great concern, and those responsible would be held accountable. The leaders responsible for this fiasco are allowed to treat this calamity as an "institutional problem" instead of a leadership problem. The VA's CFO and CAO are indeed overall responsible. The "institution" called VA is not the culprit. Leaders are at fault and must be held accountable.

In my opinion, no cardholder who violates the law can be held accountable until those who head this critical program are held accountable. I fully understand why this is not a priority in Mr. Haggstrom's office, as he has tolerated unauthorized commitments in his inner circle. Personnel who work directly for him are guilty of violating the law and have not been held accountable. The senior VA enforcer has little ground to enforce the law if he doesn't set a personal example.

I have raised considerable ruckus about this issue, and I have been met with opposition at every turn and from every corner. For instance, on May 29, 2013, while in a conference call with an SES from the Office of Inspector General, I opined that someone must be held accountable for the billions of dollars in services and products purchased in VHA without benefit of contracts. I was referring specifically in that conversation to billions of dollars illegally obligated by warranted contracting officers in VHA for prosthetics, without required contracts, and their illegal liquidation of obligations via Government Purchase Cards to avoid ratification actions. **[NOTE: I will describe below the billions of dollars purchased without contracts for VHA products, and expressly prosthetics].**

I was absolutely floored when the OIG official replied, "Nobody cares. There is nothing that can be done," and further, "The OIG has outlined these issues in previous official OIG reports with no action being taken against anyone." She went on to state, "That it is a waste of time for the OIG to continue to investigate these matters, and that other Government agencies are also violating Federal regulations via obligations without contracts."

There were at least four witnesses to her statement, which I immediately made a matter of written record. When I forwarded it to her and expressed my dismay with her declaration, she denied making it. I don't blame her for her frustration. Nobody is held accountable. However, the laissez-faire, dismissive attitude demonstrated by this particular OIG SES is intolerable in my opinion. If the OIG isn't in the business to ensure the interests of taxpayers are protected, our last line of defense against waste, fraud and abuse is nil.

CITING FALSE INFORMATION TO CONGRESS: In a letter dated March 5, 2012, Rep. Bill Johnson, Chairman, HVAC Subcommittee on Oversight & Investigations,

requested answers to a lengthy series of questions regarding VA contracting practices with regard to prosthetics. The VA Deputy Secretary replied to Rep. Johnson's inquiry in behalf of Secretary Shinseki in correspondence dated March 23, 2012.

The fact sheet provided to Rep. Johnson by the VA Deputy Secretary, Mr. Gould, contained false information. This information was known to be false by the Deputy Secretary when he signed the letter on March 23. Specifically, the Deputy Secretary stated seven times in the letter that with regard to purchases of prosthetics, the VA is "not required by law to follow Federal Acquisition Regulations (FAR), VA Acquisition Regulations (VAAR) and Competition in Contracting Act (CICA) requirements." These statements are patently false. I was in the meeting wherein he signed the document and fervently warned him the information was untruthful and should not be conveyed. He was encouraged to sign the document by former senior VHA official Phil Matkovsky, the former VA Chief Technology Officer, Mr. Peter Levin, and the Office of General Counsel. My supervisor, the CAO was silent, offering no opinion whatsoever.

The VA Deputy Secretary signed the document without staffing it, which is nearly without precedent in the VA. Most notably, the document was processed in a record-breaking 18 days, also an almost unheard of feat in VA Headquarters. He did not seek concurrence from me or any other staff offices with the exception of OGC. He knew I would never concur due to falsification of facts.

[NOTE: The delegation to warrant all VA contracting officers is vested in the VA Senior Procurement Executive. As the current SPE, I grant authority to contracting officers to obligate government funds exclusively under the FAR. In fact, VHA contracting officers assigned to obligate funds for prosthetics were then warranted under my authority. I had not authorized any VHA contracting officer to obligate government funds under any authority except the FAR, and informed the Deputy Secretary of that fact. Unknown to me prior to this time, senior leaders in VHA had allowed VHA contracting officers to violate the terms of their warrants by purchasing prosthetic products above the micro-purchase threshold (\$3000) without using contracts, as required by Federal law. These contracting officers were simply ordering items, and making payment using the government purchase cards VHA and VA's Office of Finance had issued them. VHA senior officials knew full well this was illegal, but allowed their contracting officers to engage in the activity as an "easy button" method of procurement. Each of these transactions constitutes an unauthorized commitment of government funds, and each requires a separate ratification action].

The following Friday I met with the VA Chief of Staff, Mr. Gingrich, and Mr. Tom Leney, Office of Small and Disadvantaged Business, during a regularly scheduled meeting on small-business goal performance. In that meeting, I informed Mr. Gingrich I was taking steps to remove all prosthetics obligation data from Federal

Procurement Data System (FPDS). I further stated VA would undoubtedly not achieve our annual small business goals with this removal, as our denominator (total Department FPDS acquisition spend) would subsequently be reduced by perhaps \$1B or more. He angrily demanded to know why I was directing such drastic action, while placing the Department in jeopardy of not achieving its small business goals. I informed him only dollars obligated using FAR-based contracts are authorized entry into the Department's FPDS acquisition spend record. I also advised him I was moving to rescind all contracting officer warrants for VHA prosthetics personnel.

The VA Chief of Staff sternly asked why I didn't consider dollars obligated for prosthetics to be FAR-based transactions. I informed him I did, but the VA Deputy Secretary unilaterally made the decision they were not FAR based, and had in fact informed Congress of the same in the March 23 letter. I further told him all prosthetic contracting officer warrants would be rescinded because they had no need for warrants, given they were obligating prosthetic funds outside the FAR. The VA Chief of Staff became visibly angry, and directed me to reverse the Deputy Secretary's decision. Given I accomplished my goal, admittedly a bit backhandedly, I did not proceed with my plan to remove prosthetics obligations from FPDS, nor remove CO warrants.

I am informing you of this so that you understand just how low past leadership has been willing to stoop. In 41 years of Government service, I have never seen anything comparable with Deputy Secretary Gould's arrogant, deceitful actions in this matter. I continue to be deeply haunted by his behavior, and am ashamed I'm a member of the VA senior leadership team who intentionally lied to a Congressional member.

The alleged wrongdoings cited in the letter from Congressman Johnson were in fact true. Had the Deputy Secretary provided a truthful response, the Department would have potentially been subject to Congressional scrutiny again for illegally circumventing Federal procurement laws. Hearings, such as those conducted in January and February 2012 surrounding illegal procurement of VHA pharmaceuticals may have ensued. The Department may again have been exposed for flagrant mismanagement and reckless stewardship. I am unaware that any follow-up was ever made with Congressman Johnson to inform him of the untruths told.

I am bringing this information to your attention to illustrate how Deputy Secretary Gould's intentional deceptive actions and callous disregard of Federal law gave license to others to lie and cheat. He sent a clear message to everyone ... the message being it is okay to obscure wrongdoing, and those who do wrong are not accountable. Unfortunately, his irresponsible legacy continues to guide some in the department, as they continue to follow his lead in disregard of our obligation to preserve the public trust.

BILLIONS OBLIGATED FOR PROSTHETICS WITHOUT CONTRACTS: In a letter dated September 26, 2012, Rep. Bill Johnson, Chairman, HVAC Subcommittee on Oversight & Investigations, requested answers to questions regarding VA contracting practices with regards to simplified acquisition procedures.

VHA was assigned to reply to Rep. Johnson's inquiry. In stark contrast to the example I cited above for the previous speedy reply to Mr. Johnson, a reply was not provided until nearly 11 months after receipt of his inquiry, on July 29, 2013.

[NOTE: Mr. Johnson departed the HVAC during this extensive and inexcusable delay in replying to his questions. Thus, the reply was addressed to Rep. Michael Coffman, also a member of the HVAC].

I personally authored the final version of the enclosure to the letter, although VHA senior officials had been assigned to write it. The final draft, received from VHA prior to my rewrite and which I retain, was nothing short of deception and misinformation. Accordingly, I took it upon myself to completely rewrite the enclosure. Mr. Haggstrom approved it and Secretary Shinseki signed the cover letter.

The primary issue reported in the correspondence to Mr. Coffman, was verification that a VHA employee improperly and deceptively entered spend data into the Federal Procurement Data System. This entailed an amount in excess of \$50M spread over hundreds of transactions, in which funds had been illegally obligated without use of contracts. I'm confident Mr. Coffman is business savvy, but I doubt he ever connected the dots, as he was not privy to the original request for clarification sent by Mr. Johnson.

These illegal obligations were made by a number of personnel within the Veterans Integrated Service Network (VISN) 3, without awarding contracts as required by the Federal Acquisition Regulation. The VISN 3 Government Purchase Card coordinator then sloppily hand-jammed the transactions into FPDS, attempting to obtain small-business credit (without regard for whether purchases had been made from large or small business, and without regard for the year of obligation). It was simply happenstance his deceptive behavior was detected. His actions were a classic case of an attempt to deceive the public. As I recall, the transactions were from FY 2010 and FY 2011.

No official investigation was ever conducted. No ratification actions were made as required by Federal statute. In fact, the perpetrator was so bold as to later approach me in writing to ask if VISN 3 could again begin using the Government Purchase Cards as a means of procurement above the micro-purchase threshold. I curtly reminded him VISN 3 never had authority to use the card in the manner he was proposing, as it was illegal.

No person(s) were held accountable for these illegal actions. As stated on page 18 above, the OIG refused to accept my VISN 3 allegations in their investigation of GPC

wrongdoing, declaring them “outside the scope” of their investigation. They refused any allegations or evidence outside the 2012-2013 timeframe, which I consider bureaucratic nonsense. At the least, they should have opened another separate investigation into the matter.

This revelation of wrongdoing in VISN 3 triggered me to begin an informal review of purchases being made by VHA contracting officers, specifically in the prosthetics arena. My staff subsequently provided me information reflecting purchases were being made for prosthetic items without required contracts. Warranted contracting officers were simply ordering products from vendors, and paying for these products with purchase cards, regardless of the fact many of the procurements exceeded \$3,000. This appeared to be taking place on a wholesale basis across VHA, and facts subsequently provided substantiated this was the case. When I confronted VHA’s Mr. Doyle regarding this matter on several occasions, he refused to reply to my email correspondence.

Further reviews revealed hundreds of unqualified VHA personnel had been delegated contracting officer authority, and these personnel were being allowed to violate the terms and limitations of their warrants. **[NOTE: In the period before 2011, VA HCAs were authorized to warrant personnel up to the Simplified Acquisition Threshold (\$150,000). Under this delegation of authority from the SPE, previous VHA HCAs had improperly warranted hundreds of unqualified personnel to serve as contracting officers. Due to this improper execution of delegated authority, in 2011 I rescinded all VA HCAs’ authority to warrant COs, consolidating all authority under myself as the Senior Procurement Executive. At the same time, I directed them to provide me a current record of all COs they had previously warranted under their delegation. The VHA HCA failed to provide my office a complete, accurate list. In fact, as it turned out, there were hundreds of contracting officers assigned to procure prosthetics, who did not meet the statutory qualifications for education, training and experience, necessary for certification and appointment. They were fully unqualified to be Federal contracting officers. It required many months of interaction with the VHA staff to accurately baseline the total numbers of warrants that had been issued by VHA prior to 2011, and remove warrants from unqualified personnel].**

In an odd turn of events, the VHA Head of Contracting Activity, Mr. Doyle, maintained he had no authority over VHA contracting officers assigned to procure prosthetics. I considered his notion bizarre. As the HCA, he is delegated responsibility and concomitant authority to operate a full-service contracting organization. This delegation requires he ensure compliance with all laws and regulations related to Federal contracting. He cannot indiscriminately decide he isn’t responsible for all facets of the VHA procurement mission.

In this instance, Mr. Haggstrom acted decisively and correctly in his role as the VA CAO. He directed the illegal activity cease in December 2012. Subsequent to his

directive and in late December 2012, Deputy Secretary Gould improperly rescinded Mr. Haggstrom's appropriate and lawful directive.

By rescinding the CAO's directive, the VA Deputy Secretary allowed unqualified VHA contracting officers to continue procurement of prosthetic devices without contracts, in violation of Federal law. Incongruously, in this instance, Mr. Gould no longer maintained VA had the authority to procure prosthetics "without regard to any other law." He had completely changed his mind in this regard. For reasons unknown to me, he now agreed the FAR did apply. As previously stated on page 21 above, on March 23, 2012 the Deputy Secretary had informed Rep. Bill Johnson that VA is "not required by law to follow Federal Acquisition Regulations (FAR), VA Acquisition Regulations (VAAR) and Competition in Contracting Act (CICA) requirements" in the purchase of prosthetics.

On January 14, 2013 I sent an email to Mr. Haggstrom, seeking assurance from him that I would not be held accountable for illegal decisions made by VA senior leaders to continue violating fiscal and contracting statutes, and specifically the decision to allow procurement of VA goods and services without contracts. In a reply that same day, Mr. Haggstrom wrote, "Jan ... what you are asking for is way out my control."

In late January 2013, Mr. Gould allowed my office to put in place a stopgap measure that met basic requirements for the FAR. All requirements above \$25K were to be procured by qualified VHA contracting officers. He allowed I could not remove warrants from unqualified personnel (although I protested otherwise). He directed these unqualified contracting officers could continue to hold warrants until September 30, 2013, and obligate funds up to \$25K. He directed by September 30, 2013, VHA was to have transitioned all contracting activities to qualified, properly warranted 1102 series contracting officers.

The unlawful activity did not end. I currently have on my desk a spreadsheet of obligations made by VHA for FY 2013 and the first six months of FY 2014, using the government purchase card as payment. This spreadsheet reflects there may have been as much as \$1.2B in prosthetics purchased sans contracts, in violation of Federal law during this 18-month period. In the past 60 days, I visited a major VHA hospital, wherein they reported they did not discontinue the illegal practice until October 2014.

The government purchase card has been used to camouflage these unauthorized commitments. Contracting officers, armed with government purchase cards, simply procure products without contracts, and liquidate the illegal obligations using the purchase card for payment. VA Office of Finance representatives are not properly engaged in the process. Each of these illegal procurements and subsequent payment constitutes an improper payment. Neither the VA Office of Management, nor its subordinate Office of Business Oversight, police these transactions to ensure contracts have been put in place for each procurement above the micro-purchase threshold. Given no contracts are executed, the procurements are not entered into

Federal Procurement Data System as required by statute. Taxpayers are cheated out of knowing how these funds are being obligated. Suppliers are cheated out of the opportunity to compete for government sales. Prices paid for products may far exceed fair & reasonable prices. Efficacy and safety requirements are nil, given there are no contract terms & conditions. Each of these individual transactions constitutes an unauthorized commitment, requiring investigation and ratification by a warranted contracting officer. To date, no ratifications have taken place.

Mr. Haggstrom and the CFO are fully aware of these issues. I recently recommended to Mr. Haggstrom he strongly consider rescinding the CAO delegation of authority to the CFO to run day-to-day purchase card operations, due to their gross mismanagement of this program. As of this date, he has not acted on my recommendation.

These flagrant violations of law will soon be made public, regardless as to whether you elect to do anything concerning this instant request for assistance by me. The Government Accountability Office conducted an entrance interview for the purpose of commencing an audit of VA's Government Purchase Card Program on March 18, 2015. All issues outlined above are sure to become part of GAO's report to Congress in the very near future.

I have no idea whether either Mr. Haggstrom or Ms. Tierney have related these problems to yourself or Mr. Gibson. In my opinion, this is a colossal governance failure in a program operated by the CFO. Basic Federal rules, including internal VA regulations, prohibit liquidation of obligations without a legal obligation of funds. This is the elephant in the room that others pretend not to see. Most disappointingly to me, SES members in the Office of Management are not willing to confront these issues head on, as they are definitely improper payments. This was the issue I passionately attempted and failed to confront the VA Senior Assessment Team with in late 2014, as indicated on page five of this correspondence.

ILLEGAL USE OF FEDERAL SUPPLY SCHEDULES AND OTHER WASTE & ABUSE:
In May 2014, I learned VHA is grossly violating the Federal Acquisition Regulation (FAR) with regards to products acquired using VHA medical/surgical prime vendor (MSPV) contracts. These illegal actions, which continue today, are the result of a tangled web of poor decisions by senior leaders, and in some cases bad legal advice by the Office of General Counsel. Although I took immediate actions in an effort to right these violations, my supervisor, Mr. Haggstrom, and the VHA Chief Procurement Officer, Mr. Doyle, continue to thwart my efforts.

Medical/Surgical Prime Vendor contracts are designed to be VHA's foremost means to efficiently obtain the broad-range of medical/surgical supplies required across the VHA health-care enterprise. Multiple MSPV contractors receive and process individual requests, while delivering products on a daily basis across the VHA health-care system. This methodology is commonly referred to as a just-in-time (JIT) system. The system is designed to enable medical facilities to order products

one day, and generally receive them the following day. This JIT system eliminates the need for warehouses and expensive inventories of products across the 900+ VHA medical facilities.

MSPV contractors deliver products furnished from underlying Federal contracts awarded by VA contracting personnel. These contracts include Federal Supply Schedules (FSS), VA National Contracts, Blanket Purchase Agreements, Basic Ordering Agreements with Ability One nonprofit agencies, and local or regional VHA-awarded contracts. Essentially, prime vendors are nothing more or less than firms we hire to distribute government-furnished supplies on a JIT basis.

Due to continuing allegations of impropriety, in May 2014 I requested a briefing from the VA National Acquisition Center (NAC) concerning the medical/surgical prime vendor contracts. **[NOTE: The VHA is responsible for defining their requirements under the medical/surgical prime vendor program, and managing the program with regard to cost, schedule and performance. The MSPV program currently resides under the direction of VHA's Chief Procurement and Logistics Officer, Mr. Doyle. The VA National Acquisition Center, which reports directly to me, awards and administers prime vendor contracts on behalf of VHA and several other government agencies].**

What I learned was extremely alarming. Officials at the NAC informed me VHA employees were illegally ordering products directly from a "shopping list" of items that are on FSS contracts. The NAC prime vendor contracting officer stated current ordering procedures are not consistent with program intent at the time of contract award, and are not compliant with MSPV contracts or ordering officer instructions. The "shopping list" referred to above is estimated to contain nearly 400,000 items, and is often being used indiscriminately and not in accordance with the FAR. This is blatantly illegal.

[NOTE: FAR 8.4 requires FSS orders be competed under most circumstances. There are three levels of competition, depending on dollar thresholds of anticipated orders:

- 1. At or below the micro-purchase threshold (<\$3000). No competition is required.**
- 2. Over the micro-purchase threshold but not exceeding the simplified acquisition threshold (\$3000 to \$150,000). COs must solicit at least three FSS contractors.**
- 3. Over the simplified acquisition threshold (\$150,000 and upward). A request for quotation must be utilized].**

You may be aware the VA was delegated authority to manage nine categories of FSS by the General Services Administration many years ago. The VA National Acquisition Center in Hines, IL awards and administers these FSS contracts. While VHA is the NAC's largest customer, approximately 40% of the \$18B in annual sales of medical products and services are attributed to other government agencies, such as Department of Defense and Health and Human Services.

Since 2002, it has been official VA policy to award single or multiple-award BPAs to the maximum extent practical against FSS contracts awarded by the VA NAC. BPAs provide a simplified way of filling repetitive needs. By establishing BPAs against FSS contracts, VHA saves vast amounts of administrative time, eliminates thousands of duplicative contracting transactions across the VHA, and take advantage of quantity discounts. Other government agencies using our MSPV contracts benefit in this manner as well. Award of BPAs at the national level are absolutely essential in order for VHA to fill repetitive needs for medical/surgical supplies.

Once BPAs are awarded, the day-to-day business of acquiring medical/surgical products at the operational level becomes extremely convenient and expeditious. Designated ordering officers (versus contracting officers) may be delegated authority to place orders against these BPAs. This frees up contracting officers for more important duties at the local level. Ordering officers place orders with MSPV contractors, and these contractors in-turn efficiently distribute ordered products to requesting medical facilities. The integrity of the procurement system is assured, as MSPV contractors are required to use underlying Federal contracts. Most importantly, VHA medical-care providers are able to get the medical/surgical products they need in an expeditious manner.

Unfortunately, the rate of BPA formation has fallen precipitously in recent years. VHA officials seem to have little interest in defining their product requirements, which is required to enable award of BPAs at a national level. Again, these BPAs must be awarded to ensure the VHA's just-in-time Prime Vendor system remains capable of providing needed products in a timely manner. One of the major reasons the VHA supply chain is presently in extremis is due to the fact these BPAs are not being executed. When you and Deputy Secretary Gibson visit hospitals across the VA, and clinicians tell you "procurement is broken," this is the root cause.

VHA's intransigence in this matter is inexplicable, and Mr. Haggstrom's failure to force the issue in his role as the CAO is just as perplexing. In 2010, Secretary Shinseki directed us to vastly increase strategic sourcing and spend management via a renewed effort to award BPAs for medical/surgical and prosthetic products. He directed this action officially in an Executive Decision Memorandum, ordering the VHA and Office of Acquisition, Logistics and Construction to put infrastructure and processes in place to accomplish what was then dubbed as the "Integrated Acquisition Model."

In the course of events, VHA received authorization to stand up a commodity management office, under the leadership of VHA's Office of Procurement and Logistics Operations. Approximately 150 personnel were to be hired and engaged on commodity management teams. The purpose of this office was to begin strategically managing all medical/surgical products in a life-cycle management model never before undertaken for these commodities. **[NOTE: This is the same model used successfully for many years by VHA's Pharmacy Benefits**

Management (PBM) Office to manage VHA pharmaceuticals. In my opinion, the \$5B PBM program is arguably one of the best-managed programs in the Federal government and it is extremely wise to emulate its success].

It was envisioned these commodity management teams would intensively manage the entire life cycle of medical/surgical commodities by groups. For example, one of these groups is “surgical products” and includes items as varied as sutures, staples and scalpels. It was intended these commodity managers would be intimately familiar with every facet of individual commodities in their respective groupings. They would research and understand market trends, pricing, emerging technological advancements, annual volume data, manufacturers business models, etc. Most importantly, commodity managers were to be the direct interface with VHA clinicians, gaining intelligence on product quality and efficacy, as well as gathering data on physician-preference items and clinician’s satisfaction with the overall supply chain.

The VHA has failed in its mission to effectively stand up this office. Currently, there are less than 25 personnel assigned. They are nearly incapable of defining their requirements. Mr. Doyle and his subordinate SES, Mr. Elizalde, openly admit most of the personnel they’ve hired are incapable of performing. A prominent VHA Senior Executive recently told Mr. Haggstrom and myself the entire organization is dysfunctional.

As an example of their ineptitude, for over two years the Commodity Management Office has been engaged in development of requirements for new MSPV contracts. Thus far they have categorically failed to perform. The current contracts expire in April 2015. Because there is no chance follow-on contracts will be awarded before the current contracts expire, I was recently forced in my role as the SPE, to authorize extension of current contracts for one year. I did so with extreme reluctance, as I know VHA did not work in good faith to define their requirements, which would have allowed award of new contracts on time. In addition, the quantity of new medical/surgical requirements defined by this office is dismally small. Their bleak performance has caused a waterfall of negative issues, which I will detail further below.

In addition to VHA’s standup of a commodity management office, OALC was authorized by Secretary Shinseki and the Supply Fund Board of Directors to stand up a new contracting organization in Fredericksburg, VA, dubbed the Strategic Acquisition Center (SAC). The SAC’s sole purpose was to award and administer contracts in support of VHA’s medical/surgical mission. The SAC was designed to be stood up iteratively. The plan was to hire 40 contract specialists initially, allow them to undertake the mission until they became saturated with work, and hire another 40. Four iterations were planned for in this manner, with an end-state of approximately 160 contracting professionals.

The stand-up was not accomplished according to plan. Mr. Haggstrom allowed Ms. Cooper and Ms. Bower to hire at will, without regard to workload. VHA did not provide requirements to be put on contract, and thus hiring should have stopped when 40 personnel were on board.

The result is appalling. The current workload for each employee is almost zilch. Two SAC employees recently informed my office they have nothing to do. A GS-15 said he was looking for a new job, as he is tired of having no work. A GS-13 was near tears in my office, as she told me she teleworked three days a week, and watched television "all day long" because she has nothing to do. I did not solicit the information she provided. She was genuinely ashamed of her predicament and concerned about her future. We discussed the scandal recently brought to light by the *Washington Post*, with its expose regarding telework fraud within the U.S. Office of Patent & Trade and how this might compare.

While I do not believe there is fraud involved with regard to the SAC and its telework program, there are millions of dollars consumed in waste. It is totally unacceptable that personnel were needlessly hired, in direct contravention of the approved plan for standup of the SAC. Given the SAC has received virtually no work from VHA in the past five years to generate fees, and given that SAC's senior executives irresponsibly hired contracting professionals at an ever increasing pace in spite of little work, we now have severe budget shortfalls. The SAC, which is supposed to operate as a profit center in the Supply Fund, has squandered over \$25M in personnel costs, lease expenses and other outlays over the past four years.

This is in addition to approximately \$22M this same office wasted on a duplicative procurement management system dubbed Virtual Office of Acquisition (VOA). **[NOTE: The VOA is the system highlighted in two recent VA OIG reports. The first report highlights the waste caused by intentional duplication of systems by Ms. Cooper, Ms. McCutcheon and Mr. Haggstrom. The second report outlines the illegal steering of contracts to a vendor Ms. Cooper had a personal relationship with. Ms. Cooper is the former Executive Director of the Office of Acquisition Operations who now serves as the Senior Procurement Executive at Department of Treasury. She was a direct report to Mr. Haggstrom, and he allowed her to spend unchecked on VOA in 2013, after the first OIG report declared the system duplicative].** My office was required by Mr. Haggstrom to absorb budget shortfalls due in part to these gross instances of waste, fraud and abuse. These budget shortfalls are causing me to cancel or curtail millions of dollars worth of training for our acquisition and supply-chain professionals. Regrettably, these professionals are the very employees who desperately require schooling in an effort to improve our current supply-chain deficiencies.

There is an additional serious consequence derived from VHA's inability to define their medical/surgical requirements, thus allowing the SAC to award competitive BPAs. We are not leveraging our VHA spend. VHA is the largest integrated health-care system in the country, with potentially enormous spending leverage. Five

years ago, at the direction of Secretary Shinseki, VHA and OALC consulted extensively with the five largest medical Group Purchasing Organizations (GPOs) in the U.S. These engagements included meetings with Secretary Shinseki. These GPOs categorically underscored that VHA could realize as much as 20 percent reduction in medical/surgical acquisition costs if we prudently leverage our spending power. It's a no brainer. We must standardize medical/surgical products when practical. We must also purchase using tiered pricing (volume pricing), while facilitating price decreases for ever-increasing quantities purchased. We have not done what we were directed to do by Secretary Shinseki five years ago, and as a consequence, we've wasted billions of dollars via lost opportunities for savings.

CONCLUSION AND RECOMMENDATIONS:

You have emphasized since your arrival we must all strive to do the hard right vs. the easy wrong. You admirably maintain we must ensure utmost integrity in all we do. Under your direction, a new series of training is underway for the entire VA workforce, emphasizing fundamental accountability that must reside in each of us as government employees. The following principles are included in this training:

1. VA employees have a duty to abide by and enforce the law.
2. VA managers and supervisors are held to a higher standard.
3. VA managers and supervisors must:
 - Abide by and enforce all laws;
 - Never commit Prohibited Personnel Practices;
 - Never retaliate against employees who blow the whistle;
 - Take whistleblower disclosures seriously, and when appropriate, investigate;
 - Promote an atmosphere that allows employees to safely report wrongdoings or violations of law, rule or regulation without fear of retaliation; and,
 - Remember that all your actions or inactions reflect on VA.

While these principles are not new, the training you've directed reemphasizes them in a precise and comprehensible way. Clearly I've provided many examples above exposing unmitigated desecration of these principles, both current and past. I believe under your leadership we've made a credible start, but we have much to do to change the corrosive culture that appears endemic, even at the highest levels of VA. Quoting from Winston Churchill, I do not believe we have reached "the end of the beginning" in our quest. The principal duty we all have as stewards of the public trust continues to be violated in enormous fashion.

During the past 60 days I was privileged to visit three major VA hospitals, at the direction of Deputy Secretary Gibson. I took with me several Senior Executives from my staff, and was joined by several senior members of the VHA staff. Our specific mission was to observe the VHA supply chain, and develop recommendations for improvement to Mr. Gibson.

What I observed in all three hospitals were very dedicated, well-meaning VA employees, doing everything they can to serve America's veterans to the best of their ability. However, issues were reported to us exemplifying improper or marginalized internal controls, as referred throughout this correspondence. All point to dramatically ineffective governance at a basic level, as well as potentially corrupt & unlawful practices.

- A senior nurse informed us a long-term care patient's hospital stay had been extended by 9 months, due to their inability to procure an appropriate wheel chair for him.
- A recently appointed prosthetics chief informed us they had recently reduced an astounding, seven-year backlog of 15,000 prosthetic items to a more manageable but still enormous 6000-item backlog. In addition, prosthetics staff informed us the previous director had been using miscellaneous obligations to pay for veterinarian care for veterans' pet dogs. We confirmed these were not authorized payments for "companion dogs." One example cited \$70,000 paid for a single dog, using funds meant for veterans' care out of the hospital's prosthetics budget. These expenditures constitute both unauthorized commitments and improper payments.
- It was reported some long-term care patients are being cared for without contracts or any form of written agreement between the VA and care providers. Veterans being cared for under this arrangement may get substandard, potentially dangerous treatment, as there are no written terms & conditions to enforce a minimum standard of care. This also fosters unacceptable legal liability for VA. This hospital staff informed us they are paying for long-term care using miscellaneous obligations. Paying for services without a written contract is clearly an unauthorized commitment of government funds. These are also examples of unauthorized payments by the VA Office of Finance.
- A prosthetics specialist reported a retired VA female employee, previously employed by that hospital, was provided a prosthetic limb. The specialist claimed the individual was not a veteran and obviously not eligible for care by the VA. This appears to be misappropriation of government funds and perhaps violation of additional criminal statutes.

We did not solicit this information. We did not investigate any of these allegations. That was not our purpose. Our purpose was to observe and gather high-level facts surrounding VHA's supply chain. Persons who apparently thought we should know provided the information freely. I concluded this is the "tip of a very sizable iceberg."

Our hospital visits were admittedly transitory, and our reviews superficial, but our observations paint an ever-clearer picture for me. I am now more convinced than

ever our VA center of gravity is not the “veteran experience” per se. I believe substandard veteran experiences are symptoms of greater ill. I conclude our VA center of gravity is “governance” or more explicitly, lack of appropriate governance. Without proper governance, the quintessential “veteran experience” will never be achievable on a customary basis for the veterans we serve.

In my opinion we must begin immediately to comply with Federal laws and hold those accountable who don't, as indicated throughout this correspondence. We must make every effort to right what has been wronged, while fully disclosing our egregious offenses to the American public, Congress, and most importantly, to the veterans we serve. We are wasting hundreds of millions of dollars through waste, malfeasance, inappropriate governance, and stunningly poor leadership by some at senior leadership levels. I needn't tell you every dollar we waste is a dollar not spent in the support of veterans.

I recommend you immediately invite experts in government contracting and fiscal law to meet with my staff and myself for the purpose of examining my allegations. Three immediately come to my mind. These include Dr. Steven Schooner, Professor of Government Procurement Law and Co-Director of the Government Procurement Law Program, George Washington University. Professor Schooner was previously the Associate Administrator for Procurement Law and Legislation at the Office of Federal Procurement Policy in the Office of Management and Budget. Dr. Allan Burman, who formerly served as the Administrator for Federal Procurement Policy, Office of Management and Budget. He is intimately familiar with our VA procurement system, having performed A-123 reviews of procurement functions across the VA on behalf of my office the past four years. And, Mr. Rob Burton, a nationally-recognized procurement attorney, who formerly served as the Deputy Administrator of the Office of Federal Procurement Policy, as well as Acting Administrator for two years.

Each of these gentlemen brings to the mix many years of experience in the Federal acquisition and fiscal arenas, and each is an expert in their own right with Federal procurement law. In addition, I would advise presence of White House counsel, with expertise in Federal procurement and fiscal law. You would also be well served to request attendance of an expert in Federal Appropriations Law (The Red Book) from the General Accountability Office.

I envision this cursory examination of my allegations would serve to make you comfortable my assertions have merit, justifying a much more comprehensive examination. These Federal experts might then provide you recommendations for a way ahead. I believe a bi-partisan, high-level Commission appointed by you may ultimately be required to examine the issues I've raised, and for purposes of providing proposed solutions for effective strategic changes.

CLOSING REMARKS AND OBSERVATIONS ON MOVING FORWARD:

I am going to be direct in my final remarks, as I it would be a waste of my time and yours if I were circumspect. I hope you will accept my observations and professional opinions in the sincere and respectful vein in which I provide them.

To begin, I for one can't envision how "MyVA" will be effectively executed given the current state of affairs regarding VHA's supply chain and financial functions. Fundamental difficulties in each of these critical foundational processes extend much deeper and are much more pervasive than I have depicted here.

I am obviously not an expert in other foundational fields vital to the success of any going concern, such as human resources, information technology, construction & facilities management, training, etc. However, as a consumer at the executive level, and in perusal of OIG and GAO reports, I know each of these foundational processes have major issues as well. Some, such as human resources, are almost totally dysfunctional, and appear to be the Gordian knot requiring a bold solution to fix.

I view VA's ICARE core values as the five footings, or underpinnings, of the indispensable foundation which each of us relies upon to properly take care of our veterans. These footings must reach all the way to bedrock to ensure structural integrity of VA's foundation. These footings are currently defective. Integrity, the most of important of all, is non-existent in some cases at the highest levels, as I've depicted above. As a young man, I worked with my father in the construction business. I have seen with my own eyes, that without strong footings for the foundation to rest upon, the foundation will self-destruct.

In my humble opinion, the ICARE values developed under Secretary Shinseki's leadership, are superb aspirational ideals, and given proper leadership, will constitute magnificent foundational footings for all of VA. Also in my opinion, the solid foundation yet to be built on these footings consists of new and improved core doctrine, policies, processes, procedures, oversight programs, risk mitigation, effective program management, improved electronic tools and many other basic processes across all VA functional business areas.

I believe your plan for implementation of shared or support services across the enterprise is sound in the long run, but defective in the short run. We must install the ICARE footings first, and build a new foundation consisting of those basic-governance elements I've listed in the paragraph above. In my opinion, unless we fix the core of the problem, and force appropriate governance across the enterprise, we are doomed to failure in the long run.

I admit you may not see the all the fruits of your leadership in the relatively short time you have left as our Secretary by going this route. However, without fixing the basic elements of our business, your bold reorganization may not leave a grand legacy. In fact, others and myself believe you may make matters worse unless we fix those things I've cataloged above and more, before reorganizing. We know you

want our veterans to be provided the best of services on a repeatable basis. Those of us who embrace your leadership want it as well; however, we also want sustained improvement long after you've moved on. Without rebuilding the foundation before we reorganize, we can't possibly erect a structure that institutes a sustainable, exemplary experience for our nation's veterans each-and-every-time we serve them.

Reorganization without establishment of proper governance first, seems akin to moving the furniture in a house with a defective foundation. The ambiance will change, but the foundation remains defective with the potential for catastrophic failure. A superficial change will solve nothing in VA. I believe that's where we're currently headed in our rapid pursuit of change, and as a result, we risk form without function, or perhaps even cataclysmic failure.

I for one, recommend you lead us immediately in development of a foundation of concrete, effective governance. Clearly there too is more work to be done in firmly establishing the ICARE principles. I believe you must be ruthless in the installation of ICARE principles. I know "ruthless" conjures up unpleasant connotations for some, but unless you force it with a strong hand, its implementation will be cursory at best. This is a VA very adept at "waiting out the boss." For instance, those who don't understand that integrity is paramount should be moved out of leadership positions straightaway.

I end with a perhaps rhetorical but basic question. Without demonstration of improved, responsible stewardship, why would the American public support ever-increasing and generous annual Congressional appropriations to care for our nation's veterans?

I respectfully request your consideration and assistance in these matters.

\S\
Jan R. Frye
Deputy Assistant Secretary for
Acquisition & Logistics
Department of Veterans Affairs

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May 22, 2015

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 DEMOCRATIC STAFF DIRECTOR

The Honorable Robert A. McDonald
 Secretary
 U.S. Department of Veterans Affairs
 810 Vermont Avenue, NW
 Washington, DC 20420

Dear Secretary McDonald,

Please provide written responses to the attached questions for the record regarding the Oversight and Investigations Subcommittee hearing, "Waste, Fraud, and Abuse in VA's Purchase Card Program" that took place on May 14, 2015.

In responding to these questions for the record, please answer each question in order using single space formatting. Please also restate each question in its entirety before each answer. Your submission is expected by the **close of business on Wednesday, June 24, 2015**, and should be sent to Ms. Bernadine Dotson at bernadine.dotson@mail.house.gov.

If you have any questions, please call Mr. Eric Hannel, Majority Staff Director of the Oversight & Investigations Subcommittee, at 202-225-3527.

Sincerely,



MIKE COFFMAN
 Chairman
 Subcommittee on Oversight and Investigations

CMC/hr

Attachments

**Questions for the Record
House Committee on Veterans' Affairs
Subcommittee on Oversight and Investigations
Oversight Hearing**

“Waste, Fraud, and Abuse in VA’s Purchase Card Program”

Questions for the Record from Chairman Mike Coffman

1. On September 6, 2013, the Office of Management and Budget (OMB) distributed a memorandum to agency heads that provided guidance for implementing the Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act; P.L. 112-194). The guidance required executive agencies to strengthen their internal controls, including the establishment of penalties and disciplinary actions for purchase card misuse.
 - Has VA developed and implemented penalties and disciplinary actions for purchase card abuse, including salary offset for personal liabilities, as required by OMB guidance? If so, has VA developed metrics to evaluate their effectiveness in deterring purchase card misuse?
 - Is data available that might help determine whether there has been an increase in the number of VA employees facing penalties and disciplinary actions since the enactment of the Charge Card Act?
2. The Charge Card Act also establishes specific requirements for internal controls. It requires, for example, that agency internal controls are sufficient to ensure that: (1) payments to card issuing banks are made on time so as to avoid interest penalties; (2) rebates and refunds realized due to timely payments and sales volume are properly recorded as a receipt to the agency that pays the bill; and (3) periodic reviews take place to determine if some cardholders no longer need their purchase cards.
 - Does VA have adequate internal controls to ensure employees make timely payments on their purchase card balances? Is there data available on VA’s annual penalties for late payments? If so, how does VA compare with other agencies?
 - Is VA able to verify that it has been credited for all of the rebates and refunds to which it is entitled?
 - Has VA evaluated which of its cardholders still need their purchase cards? Is there any data to show whether the number of purchase card holders at VA has decreased since the Charge Card Act was enacted?
 - What offices in VA and VHA conduct audits of the purchase card program? How are they conducted and how often?
3. VA was widely criticized for wasting as much as \$762,000 at two human resources conferences it hosted in Orlando, Florida, in 2011, including tens of thousands of dollars charged to VA purchase cards. The OIG determined, for example, that VA purchase card holders spent more than \$67,000 on promotional items that were “unnecessary, inappropriate, and wasteful.”
 - What steps has VA taken to ensure greater oversight of conference-related purchase card spending?

- Has VA conducted their own investigation of purchase card spending at other conferences, as the OIG recommended?
4. A 2014 audit of purchase card practices by the Engineering Service at a Veterans Health Administration facility in Charleston, South Carolina, found that 40 out of the 139 transactions sampled (29%) were deemed "unauthorized commitments" because cardholders intentionally split what should have been single purchases into multiple transactions, apparently in an attempt to bypass competition requirements. As a consequence, these cardholders were not taking steps to ensure they were getting the best price for the government, and VA may have overpaid for the items acquired under split-purchase transactions.
 - Has VA taken steps to determine how widespread the problem of split purchases is across the department?
 - Does VA discipline cardholders who split purchases in a deliberate attempt to avoid competition requirements.
 5. Please provide the subcommittee with the names, titles, and disciplinary actions taken for all individuals who received, or were proposed for, adverse action for violating the laws and/or policies applicable to purchase card use from January 1, 2010 through May 18, 2015.
 6. Please indicate whether VA pays a transaction fee to US Bancorp and if so, how much per transaction and how much in aggregate total per year for the last 5 years.
 7. Please provide the Committee a list of all data fields in IFCAP. Are there other data systems that can provide detailed purchase information? If yes:
 - Provide the names of the systems.
 - Provide data fields available.
 8. Please provide the committee with a copy of the latest Purchase Card Holder Handbook and indicate how often the handbook is updated.
 - What training is required, prior to becoming a purchase cardholder, approving official and/or purchase card coordinator?
 - How many purchase cardholders may be assigned to an approving official?
 9. Please provide all Office of General Counsel opinions, decisions, letters, and/or statements referenced by Mr. Frye in his March 19, 2015 letter to the Secretary, including but not limited to, the opinion referenced on page 15 regarding fee basis care and the FAR.
 10. Please provide all Office of General Counsel opinions, decisions, letters, and/or statements regarding ratification of unauthorized commitments.

Questions for the Record
House Committee on Veterans' Affairs Subcommittee on Oversight and Investigations
Oversight Hearing

"Waste, Fraud, and Abuse in VA's Purchase Card Program" Questions for the Record from Chairman Mike Coffman

1. On September 6, 2013, the Office of Management and Budget (OMB) distributed a memorandum to agency heads that provided guidance for implementing the Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act; P.L. 112-194). The guidance required executive agencies to strengthen their internal controls, including the establishment of penalties and disciplinary actions for purchase card misuse.

- A. Has VA developed and implemented penalties and disciplinary actions for purchase card abuse, including salary offset for personal liabilities, as required by OMB guidance? If so, has VA developed metrics to evaluate their effectiveness in deterring purchase card misuse?

VA Response: In accordance with the Charge Card Act of 2012, the Office of Human Resource Management (OHRM) adjusted VA's table of penalties (see table below) to provide administrative disciplinary guidance to cover credit card abuse to specifically include purchase cards. Depending upon the circumstances, disciplinary actions that may be applied range from admonishments or reprimands (letters of censure), suspensions (placing the employee in a non-duty, non-pay status) or removal from Federal service.

NATURE OF OFFENSE	1ST OFFENSE	2ND OFFENSE	3RD OFFENSE
	Minimum/ Maximum	Minimum/ Maximum	Minimum/ Maximum
Offenses Prescribed in Statute			
41. Failure to adhere to the rules governing the use of Government charge cards (purchase, travel, or fleet) and convenience checks.	Admonishment Removal	7 days Removal	14 days Removal

VA does not have metrics that specifically evaluate the effectiveness of deterring purchase card misuse specific to the disciplinary actions. We continue to evaluate the effectiveness of our internal controls for the purchase card program and will refine these controls as needed to mitigate risk of misuse or abuse in the program. We are unable to isolate which of our prevention efforts, whether it be

increased controls on the program or the implementation of graduated penalties, is most influential in deterring misuse of the purchase card. Our expectation is that all of our prevention efforts will act as a deterrent to potential misuse and abuse in the program.

- B. Is data available that might help determine whether there has been an increase in the number of VA employees facing penalties and disciplinary actions since the enactment of the Charge Card Act?

VA Response: VA is currently working across multiple functional areas in VA to capture and reflect data in the Semi-Annual Joint Violations Report that would be responsive to this question by indicating whether an increasing number of employees are facing penalties and disciplinary actions since the enactment of the Charge Card Act.

2. The Charge Card Act also establishes specific requirements for internal controls. It requires, for example, that agency internal controls are sufficient to ensure that: (1) payments to card issuing banks are made on time so as to avoid interest penalties; (2) rebates and refunds realized due to timely payments and sales volume are properly recorded as a receipt to the agency that pays the bill; and (3) periodic reviews take place to determine if some cardholders no longer need their purchase cards.

- A. Does VA have adequate internal controls to ensure employees make timely payments on their purchase card balances? Is there data available on VA's annual penalties for late payments? If so, how does VA compare with other agencies?

VA Response: VA has internal controls over the purchase card payment process through centralizing billing, which enables VA to pay the credit card balances daily. As a result, VA has not incurred penalties for late payments in the purchase card program.

- B. Is VA able to verify that it has been credited for all of the rebates and refunds to which it is entitled?

VA Response: VA receives a quarterly rebate on purchase card spending from US Bank of 1.96%. Quarterly spend amounts are verified for each facility, and rebates are allocated accordingly based on each facility's purchase card spending for that quarter. Due to the same-day payment agreement VA has with US Bank, the rebate amount is not adversely affected by late payments or charge-offs for purchase card accounts. VA is not aware of any issues in not being credited all rebates or refunds owed.

- C. Has VA evaluated which of its cardholders still need their purchase cards? Is there any data to show whether the number of purchase card holders at VA has decreased since the Charge Card Act was enacted?

VA Response: In accordance with policy, program coordinators perform annual assessments of the need for a purchase card account to remain open. In addition, VA monitors all purchase card accounts for inactivity on a monthly basis. When the Charge Card Abuse Prevention Act was

signed into law in October 2012, VA had approximately 33,000 open purchase card accounts being used by approximately 14,000 individual cardholders during 1st quarter of fiscal year (FY) 2013. Individuals may hold more than one card; different cards are for different purposes, such as training or supplies. As of 2nd quarter FY 2015, VA has approximately 23,000 open purchase card accounts being used by approximately 13,000 individual cardholders. This represents a 30% reduction in open purchase card accounts and a 7% reduction in individual cardholders.

D. What offices in VA and VHA conduct audits of the purchase card program? How are they conducted and how often?

VA Response: Within the Office of Management (OM), the Financial Services Center (FSC) conducts weekly reviews to identify questionable purchase card transactions. The FSC forwards all questionable transactions to the OM's Office of Business Oversight (OBO) for further examination. OBO analyzes selected transactions, identifies those that potentially represent misuse or abuse of the purchase card, contacts the responsible parties for information on these transactions, verifies whether transactions are proper, and when necessary notifies management of any policy violations.

In addition to these reviews, OM receives an annual Unqualified Statement of Assurance from all offices. For example, the Office of Acquisitions and Logistics (OAL) stating OAL's systems of internal controls are achieving their intended objectives and that no significant deficiencies or material weakness were identified. The FY 2014 Unqualified Statement of Assurance (attachment 1) also stated that the appropriate policies and controls are in place or corrective action plans have been taken to mitigate the risk of fraud and inappropriate charge card practices.

Veterans Health Administration (VHA) Chief Procurement and Logistics Office (CPLO) has 22 Network Purchase Card Managers and 134 Purchase Card Coordinators. The coordinators and managers are responsible for the daily operations of the program. Daily operations include support to cardholders and approving officials and auditing and inspecting purchase card purchases for compliance with internal controls. Coordinators review a minimum of 25% of the cardholders each quarter. Purchase card activity is monitored using US Bank and VHA software, Integrated Funds Distribution, Control Point Activity, Accounting and Procurement (IFCAP). Purchase card audits involve contacting purchase card holders to provide supporting documentation for a sample of selected purchases, such as receipt of goods. Purchase managers and coordinators assist with other audits conducted by Management Quality Assurance Service, Office of Management and Budget (OMB), Inspector General, Government Accountability Office or OMB Circular A-123. VHA CPLO Procurement Audit Office also conducts an annual audit of the VHA purchase card managers and coordinators.

3. VA was widely criticized for wasting as much as \$762,000 at two human resources conferences it hosted in Orlando, Florida, in 2011, including tens of thousands of dollars charged to VA purchase cards. The OIG determined, for example, that VA purchase card holders spent more than \$67,000 on promotional items that were "unnecessary, inappropriate, and wasteful."

- A. What steps has VA taken to ensure greater oversight of conference-related purchase card spending?

VA Response: In December 2013, VA established policy to ensure greater oversight of conferences. This guidance was most recently updated in March 2015. The policy articulates procedures related to conference planning, reporting and oversight. It includes guidance on assignment and management of purchase card holders. As the result of the policy change, VA conducts reviews of all conference costs for policy compliance.

- B. Has VA conducted their own investigation of purchase card spending at other conferences, as the OIG recommended?

VA Response: On September 30, 2012, VA Office of Inspector General (OIG) issued the Administrative Investigation of the FY 2011 Human Resources Conferences in Orlando, Florida report to VA's Secretary addressing allegations of wasteful expenditures related to VA Human Resources conferences held in July and August 2011. The OIG recommended VA conduct a special review of purchase card transactions made in support of VA Learning University conferences, and VA completed this review. VA has not yet conducted targeted investigations of purchase card spending at other conferences. However, VA has improved its oversight on all purchase cards from FY 2012 and ongoing, and regularly monitors the universe of all purchase card transactions. The Office of Management's Office of Business Oversight conducts a quarterly analysis of purchase card transactions, identifies those transactions that potentially represent misuse or abuse of the purchase card, contacts the responsible parties for information on these transactions, verifies whether transactions are proper, and when necessary notifies management of any policy violations. Transactions associated with conferences are included in this universe and are subject to review accordingly.

4. A 2014 audit of purchase card practices by the Engineering Service at a Veteran Health Administration facility in Charleston, South Carolina, found that 40 out of the 139 transactions sampled (29%) were deemed "unauthorized commitments" because cardholders intentionally split what should have been single purchases into multiple transactions, apparently in an attempt to bypass competition requirements. As a consequence, these cardholders were not taking steps to ensure they were getting the best price for the government, and VA may have overpaid for the items acquired under split-purchase transactions.

- A. Has VA taken steps to determine how widespread the problem of split purchases is across the department?

VA Response: Yes. VA reviewed 39,751 transactions from 2011 to 2015, including data mining to select transactions considered high risk for split purchases. The Office of Management's Office of Business Oversight (OBO) identified 0.39% or 157 split purchases. All split transactions are sent to responsible officials with a requirement the transactions be ratified. OBO tracks each ratification until completed. Of the 157 split purchases identified by OBO, 2 transactions remain open (ratification not complete) in 2015 (2 transactions made up 1 split purchase).

- B. Does VA discipline cardholders who split purchases in a deliberate attempt to avoid competition requirements.

VA Response: VA does not have specific information regarding disciplinary actions against cardholders who split purchases in a deliberate attempt to avoid competition requirements. However, VA has a set of penalties and disciplinary action as set forth by the Charge Card Act of 2012 that can be used for any type of purchase card misuse, including split purchases.

As stated in 1(A) above, OHRM has established disciplinary actions for the misuse of credit cards. Employees in such scenarios may also face discipline violating contracting laws, regulations, or policies (see table).

NATURE OF OFFENSE	1ST OFFENSE	2ND OFFENSE	3RD OFFENSE
	Minimum/ Maximum	Minimum/ Maximum	Minimum/ Maximum
Offenses Prescribed in Statute			
41. Failure to adhere to the rules governing the use of Government charge cards (purchase, travel, or fleet) and convenience checks.	Admonishment Removal	7 days Removal	14 days Removal

5. Please provide the subcommittee with the names, titles, and disciplinary actions taken for all individuals who received, or were proposed for, adverse action for violating the laws and/or policies applicable to purchase card use from January 1, 2010 through May 18, 2015.

VA Response: VA did not centrally collect the disciplinary actions taken for all individuals who received, or were proposed for, adverse action for violation of the laws and/or policies applicable to purchase card use prior to August 2014. In August 2014, VA established a tracking system and processes to improve visibility in this area. Attached is a report that shows all disciplinary actions collected since August 2014 that could have resulted from purchase card misuse (attachment 2). In order for VA to provide data prior to August 2014, it would require a data call within each Administration and Staff Office to collect details on individual credit card misuse cases from the HR officers at all facilities and program offices. This would be a time-consuming effort.

6. Please indicate whether VA pays a transaction fee to US Bancorp and if so, how much per transaction and how much in aggregate total per year for the last 5 years.

VA Response: VA does not pay a transaction fee to US Bank and has not paid any transaction fees over the last 5 years.

7. Please provide the Committee a list of all data fields in IFCAP. Are there other data systems that can provide detailed purchase information? If yes:

- A. Provide the names of the systems.

VA Response: The four data systems that provide purchase card related information are the Credit Card System (CCS), Financial Management System (FMS), Centralized Admin Accounting Transactions System (CAATS), the Integrated Funds Distribution, Control Point Activity Accounting and Procurement (IFCAP), and the USBank's "Access Online" system..

- B. Provide data fields available.

VA Response: Data fields provided on attached spreadsheet (attachment 3).

8. Please provide the committee with a copy of the latest Purchase Card Holder Handbook and indicate how often the handbook is updated.

- A. What training is required, prior to becoming a purchase cardholder, approving official and/or purchase card coordinator?

VA Response: Purchase card guidance is found in VA's Financial Policy, last updated December 2014, and is updated as applicable or in accordance with regulatory changes (attachment 4). Prior to becoming a purchase cardholder, employees must complete the following training classes: the General Services Administration SmartPay Purchase Card Training, VA's Online Purchase Card Training, and an Unauthorized Commitment Training Course. Prior to becoming an approving official, employees must complete the following training classes: VA's Online Purchase Card Training and an Unauthorized Commitment Training Course. Prior to becoming an agency/organization program coordinator, employees are required to complete the following training classes: the General Services Administration SmartPay Purchase Card Training, VA's Online Purchase Card Training, and an Unauthorized Commitment Training Course. In addition, VA requires individuals in each of these three roles to complete refresher training every two years.

- B. How many purchase cardholders may be assigned to an approving official?

VA Response: In accordance with Purchase Card Policy, all Approving Officials are limited to no more than 25 individual purchase card accounts, with the exception of VHA prosthetic accounts. Approving officials for prosthetic accounts within VHA may have no more than 40 individual purchase card accounts under their authority.

9. Please provide all Office of General Counsel opinions, decisions, letters, and/or statements referenced by Mr. Frye in his March 19, 2015 letter to the Secretary, including but not limited to, the opinion referenced on page 15 regarding fee basis care and the

FAR.

VA Response: VA is committed to providing the Committee information needed to assist the Committee in an analysis of the legal issues presented which were raised by Mr. Frye regarding fee basis care and the FAR. VA welcomes further dialogue with the Committee, to include a briefing by an appropriate and knowledgeable individual.

10. Please provide all Office of General Counsel opinions, decisions, letters, and/or statements regarding ratification of unauthorized commitments.

VA Response: VA is committed to providing the Committee information needed to assist the Committee in an analysis of the legal issues related to ratification of unauthorized commitments. VA welcomes further dialogue with the Committee, to include a briefing by an appropriate and knowledgeable individual.

Date: June 23, 2015

Subject: Collaborative Session - Attachment for Purchase Card Hearing QFR #5

The Financial Services Center contacted 24 Deciding Officials (DOs) for 26 employees. 21 DOs have responded and the three remaining responses are expected no later than June 25th.

Here are the responses for the 26 employees:

- 11 misuses for the travel card (individually billed account)
- 3 misuses for the fleet card
- 7 misuses for the purchase card
- 2 instances of no charge card misuse (mislabeled)
- 3 DOs awaiting a response

Credit Card System (CCS)

Field	Description
STMTDATE	Date the transaction posted in FMS
CARDNUM	Purchase card account number
PURCHDATE	Purchase date
SIC	Merchant Category Code
NETAMT	Transaction amount
FEEINTEREST	Amount of interest paid
DOCNUM	FMS document ID number
LINENUM	FMS document ID line number
STANUM	Station number
FUNDCODE	Fund code
ACC	Accounting classification code
COSTCTR	Cost center
BOC	Budget object code
AOCODE	Administrative office code
BFYBEG	Budget fiscal year begin
BFYEND	Budget fiscal year end
CURRFY	Current fiscal year
ACCTGPD	Accounting period
TRANSCODE	FMS transaction code
MERCHNAME	Merchant name
MERCHCITY	Merchant city
MERCHSTATE	Merchant state
REFNUM	Reference number
MPSID	Merchant ID code used for 1099 purposes



DEPARTMENT OF VETERANS AFFAIRS
Office of Inspector General
Washington DC 20420

• JUN 10 2015

The Honorable Mike Coffman
Chairman
Subcommittee on Oversight
and Investigations
United States House
of Representatives
Washington, DC 20515

Dear Chairman Coffman:

At the Subcommittee's May 14, 2015, hearing on "Waste, Fraud, and Abuse in VA's Purchase Card Program," the Office of Inspector General (OIG) indicated that it would provide additional information on two questions asked by Congresswoman Kathleen Rice regarding the number of instances of fraud, waste, and abuse identified by the OIG in the past 2 years. Enclosed is our response to her questions.

Thank you for the opportunity to provide this information for the hearing record.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard J. Griffin".

RICHARD J. GRIFFIN
Deputy Inspector General

Enclosure

Copy to: The Honorable Ann McLane Kuster, Ranking Minority Member
The Honorable Kathleen Rice

**VA Office of Inspector General
Response to Questions from the
May 14, 2015, Hearing Before the
Subcommittee on Oversight and Investigations,
Committee on Veterans' Affairs,
United States House of Representatives on
"Waste, Fraud, and Abuse in VA's Purchase Card Program"**

Question 1: In the past 2 years, how many instances of fraud, waste, and abuse did the Office of Inspector General identify?

VA OIG Response: The table below identifies the number of purchase card violation allegations received and substantiated by the OIG for the 18-month period of April 1, 2013–September 30, 2014. This information is derived from joint semiannual reports that VA and the OIG are statutorily required to submit to the Office of Management and Budget (OMB) on purchase card violations pursuant to Public Law 112-194, the *Government Charge Card Abuse Prevention Act of 2012* (Charge Card Act) and subsequent OMB guidance.¹ The first required submission covered the 6-month period of April 1–September 30, 2013. The next submission covering the 6-month period of October 1, 2013–March 31, 2014, is being prepared and is due to OMB by July 31, 2015.

Period	Allegations	Substantiated Violations			Substantiation Rate
		Fraud	Abuse	Other Loss, Waste, or Misuse	
April 1–September 30, 2013	12	8	0	0	67%
October 1, 2013–March 31, 2014	7	0	0	0	0%
April 1–September 30, 2014	4	0	0	2	50%
Total	23	8	0	2	43%

Since the start of FY 2013, the OIG Office of Investigations has opened 15 criminal cases involving employee misuse of VA purchase cards. Four cases are closed and the remaining 11 cases are ongoing. These investigations have resulted in four arrests and two convictions, as well as the termination or resignation of seven VA employees.

Question 2: In the past 2 years, what was the percentage of fraud, waste, and abuse found out of the total number of purchase card transactions?

VA OIG Response: The OIG does not and cannot review all purchase card transactions made by VA employees—which totaled 6.2 million transactions in FY 2014 alone—so we cannot provide a precise response to this question. When we conduct focused reviews on specific types of purchase card violations, we use statistical sample

¹ Office of Management and Budget Memorandum M-13-21 "Implementation of the Government Charge Card Abuse Prevention Act of 2012." <https://www.whitehouse.gov/sites/default/files/omb/memoranda/2013/m-13-21.pdf>. Accessed June 3, 2015.

projections to quantify the extent of the problem and to estimate potential monetary benefits. For example, in our report, *Review of Alleged Unauthorized Commitments Within VA* (May 21, 2014), we projected at the 90 percent confidence interval that 7–17 percent of all purchase card transactions over the \$3,000 micro-purchase threshold made during FYs 2012 and 2013 were unauthorized commitments.² This projected to between 15,600–37,400 unauthorized commitments valued at \$85.6–\$286 million. In our report, *Audit of Engineering Service Purchase Card Practices at the Ralph H. Johnson VA Medical Center, Charleston, South Carolina* (April 17, 2014), we projected at the 90 percent confidence interval that 8–14 percent of micro-purchases made by the VAMC's Engineering Service purchase cardholders during the period October 2011–May 2013 were potentially unauthorized commitments valued between \$274,000–\$446,000. Further, we estimated that 11–34 percent of purchases, valued at \$372,000–\$1,200,000, lacked sufficient supporting documentation.

² Unauthorized commitments are purchases that are not binding because the Government representative who made them lacks the authority to make the purchase. Unauthorized commitments circumvent acquisition regulations and increase the risk of misusing taxpayer funds.

Department of
Veterans Affairs

Memorandum

Date: **SEP 12 2014**

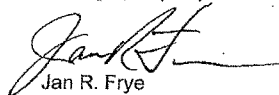
From: Deputy Assistant Secretary for Acquisitions and Logistics (003A)

Subj: Fiscal Year 2014 Unqualified Statement of Assurance (VAIQ 7495572)

To: Assistant Secretary for Management (004)

Thru: Accounting Policy Service (047GA)

1. The leadership of the Office of Acquisition and Logistics (OAL) is responsible for:
 - establishing and maintaining effective management internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA), and
 - establishing and maintaining safeguards and internal controls for purchase cards, travel cards, integrated cards, and centrally billed accounts that meet the objectives of the Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act), Public Law 112-194.
2. The Office of Acquisition and Logistics (OAL) management conducted its assessment and evaluation of the effectiveness and efficiency of internal control over operation and compliance with applicable laws and regulation in accordance with OMB Circular A-123, *Management's Responsibility for Internal Control* and OMB Memorandum M-12-12, *Promoting Efficient Spending to Support Agency Operations*. After reviewing the results of this evaluation, I can:
 - provide reasonable assurance my organization's systems of internal controls are achieving their intended objectives and that no significant deficiencies or material weaknesses were identified, and
 - certify my organization's charge card program is achieving its intended objectives to prevent waste, fraud, and abuse.
3. Therefore, I can provide an unqualified statement of assurance and certify that the appropriate policies and controls are in place or the corrective actions have been taken to mitigate the risk of fraud and inappropriate charge card practices.
4. Should you need additional information, please contact Mr. Don Hufford, Financial Manager, at (202) 461-6884, or don.hufford@va.gov.


Jan R. Frye

Department of Veterans Affairs
Government Purchase Card

December 2014
Volume XVI Chapter 1

VA Financial Policies and Procedures
Government Purchase Card

CHAPTER 1

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0101 OVERVIEW

This chapter establishes the Department of Veterans Affairs (VA) financial policies and procedures regarding the Government Purchase Card Program. VA's Purchase Card Program is part of the U.S. General Services Administration (GSA) SmartPay Program and conforms to the Federal Acquisition Regulations (FAR). The VA Office of Acquisition, Logistics, and Construction (OALC) has delegated to VA's Office of Management (OM) the responsibility to manage and operate VA's purchase card program.

The objectives of the Purchase Card Program are to:

- A. Reduce paperwork and administrative costs for the acquisition of supplies and services within the existing FAR;
- B. Streamline payment procedures and improve cash management practices, such as consolidating payments and reducing imprest funds; and
- C. Provide procedural checks and feedback to improve management control.

All cardholders will use the purchase card for authorized procurement in accordance with Simplified Acquisition Procedures (FAR Part 13 and Veterans Affairs Acquisition Regulations (VAAR) Part 813).

0102 POLICIES

010201 AUTHORITY FOR USE

- A. Delegation of procurement authority to purchase supplies and services using a purchase card or convenience check is based on OALC guidance. The Senior Procurement Executive or Deputy Senior Procurement Executive has the authority for purchase card accounts above the micro-purchase threshold and requires additional coordination with OALC and a warrant.

Delegation of authority for micro-purchase in conjunction with the Governmentwide Commercial Purchase Card Program has been delegated from the Principal Executive Director and Chief Acquisition Officer (CAO), OALC, to the Assistant Secretary for Management and Chief Financial Officer (CFO), and further delegated to the Under Secretaries, Assistant Secretaries, and other Key Officials. This authority can be further re-delegated to no lower than the SES or SES-equivalent level, but should only be delegated to a responsible official with appropriate oversight and awareness of purchasing authority. Copies of all re-delegations will be provided to the Financial Services Center (FSC) Charge Card Operations Division, for recordkeeping. This delegation of authority is in full force until rescinded by the CAO (reference Appendix A, Delegation of Authority).

Approving Officials (AO) will evaluate their current procurement needs to determine the appropriate single purchase and monthly purchase thresholds to be established. The AO will provide justification for review and concurrence by the delegating authority as supporting documentation to the VA Form 0242, Governmentwide Purchase Card Certification, or VA Form 0242c, Convenience Check Certification. AOs will evaluate their procurement needs on an annual basis or as requested by senior management. In some cases, review of purchase cardholder spending patterns may indicate a decrease in the single and monthly purchase card threshold is appropriate. When reviewing the organization's needs, the AO may consider any emergency or disaster spending requirements a given cardholder may have. Any changes in the single and monthly purchase thresholds would require the AO to provide updated justifying documentation to the delegating authority for review and concurrence.

The purchase card is the preferred method to use for purchases under the micro-purchase threshold. As a standard, participants in the purchase card and convenience check program will be permanent VA employees. The use of convenience checks is to be the payment method of last resort, when no reasonable alternative merchant is available that accepts the purchase card (See 010201F).

B. To establish a new purchase card or convenience check account with the servicing bank, a certification form (VA Form 0242, Governmentwide Purchase Card Certification, or VA Form 0242c, Convenience Check Certification) must be completed, copies of required training certificates for the account holder, AO, alternate AO, and a copy of any re-delegation must be on file indicating the proper delegating authority signatory. The following individuals must complete the applicable form:

1. Purchase Cardholder or Convenience Check Account Holder;
2. AO;
3. Alternate AO;
4. Purchase Card Coordinator or Convenience Check Account Coordinator (Level 4 Agency/Organization Program Coordinator (A/OPC) for Purchase Program); and
5. Level 1 A/OPC/National Purchase Card Coordinator (FSC Charge Card Operations Division).

Dual functions by the same individual are prohibited. There must be a separation of duties between each individual signing the form. The certification form must clearly identify the single purchase threshold and monthly purchase threshold established for the new accounts. A convenience check account cannot exceed micro-purchase threshold limitations. OALC determines who receives authorization for the Government purchase card threshold at and above the micro-purchase limits. OALC provides a weekly listing of individuals with warrant authorization to exceed the micro-purchase threshold to the FSC.

New purchase card and convenience check accounts will be created and submitted electronically by the Level 4 A/OPC through the servicing bank's electronic access

**Department of Veterans Affairs
Government Purchase Card**

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system (EAS). Once submitted, the account will be electronically routed to the Level 1 A/OPC for final approval. Additional routing for mid-level approvals by Level 3 or Level 2 A/OPCs can be established based upon the administration or staff office procedures. VA Form 0242 or 0242c and training certificates for the new purchase card and convenience checking accounts must be electronically submitted to the Level 1 A/OPC at the FSC Charge Card Operations Division, for review prior to final electronic approval with the servicing bank. The FSC will validate any necessary warrant authority with OALC for purchase card accounts exceeding the micro-purchase threshold before final approval with the servicing bank.

The certification form (VA Form 0242 or VA Form 0242c) will be retained for 6 years and 3 months, along with supporting documentation for account transactions. The purchase cardholder and FSC will be responsible for retaining the certification form and have it readily available upon request.

A new purchase card or convenience check certification form (VA Form 0242 or 0242c) will need to be completed and submitted to the Level 1 A/OPC, if any of the following changes are made on the account:

1. Change in AO.
2. Change in A/OPC.
3. Change in single purchase threshold.
4. Change in Delegation of Authority signatory.

VA forms are available on the VA forms Web site (<http://vawww4.va.gov/vaforms/>). Note: The servicing bank may require account maintenance or other forms to be completed.

The purchase cardholder or convenience check account holder shall not process any transactions during his or her final two weeks before leaving VA employment or transferring to a new position within VA. Also, the cardholder account(s) must be reconciled, reviewed by the AO, and closed prior to the purchase cardholder or convenience check account holder leaving VA employment or transferring to a new position within VA. If the employee will be a purchase cardholder or convenience check account holder in his or her new VA position, a new VA Form 0242 or 0242c is required in order for a new account to be established with the servicing bank. (Note: The account holder's previous account(s) must be closed before the issuance of a new account(s)).

C. A micro-purchase is an acquisition of supplies or services using simplified acquisition procedures where the aggregate amount of the total requirement does not exceed the micro-purchase dollar threshold set by the FAR:

1. The standard micro-purchase threshold is currently \$3,000 per transaction unless subject to the Davis-Bacon Act or Service Contract Act.

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2. For acquisition of construction subject to the Davis-Bacon Act, the threshold is \$2,000 per transaction.
3. For acquisition of services subject to the Service Contract Act, the threshold is \$2,500 per transaction.

D. Purchase cardholders with procurement authority are required to follow the priorities for use of Government supply sources as referenced in FAR 8 and VAAR 808, *Required Sources of Supplies and Services* as well as FAR 13 and VAAR 813, *Simplified Acquisition Procedures*.

E. The purchase card is issued under GSA SmartPay. The purchase card is imprinted with the statement, "US Government Tax Exempt." Charges for all purchases on centrally billed account (CBA) Government charge cards (purchase, fleet, and CBA travel), that are billed directly to the Federal Government are exempt from sales tax. Documentation required to obtain tax exemption differs from state to state (reference GSA State Tax Information at <https://smartpay.gsa.gov/about-gsa-smartpay/tax-information/state-response-letter>). If sales tax is charged, the cardholder shall request a refund from the vendor. If the vendor does not refund the sales tax, the cardholder must annotate the refusal on the receipt and keep the related documents with the receipt.

For additional details on how to identify tax exemption information on the purchase cards, refer to the GSA SmartPay Web site at: <https://www.smartpay.gsa.gov/businesses-vendors/tax-information/overview> and GSA Smart Bulletin No. 20 dated May 13, 2013.

Effective January 27, 2013, merchants in the U.S. and its Territories are permitted to impose a surcharge on cardholders when a charge or credit card is used. It is important to note that not all merchants will impose a surcharge. In addition, some states have laws which do not allow or limit surcharges. A/OPCs should ensure cardholders and other charge card management personnel are aware of the possibility of surcharges when making purchases using charge cards. If a merchant is imposing a surcharge, the cardholder may choose to consider another merchant that offers the same or similar item(s) to avoid paying the surcharge. Additional information is referenced in GSA Smart Bulletin No. 17 dated January 17, 2013; refer to GSA SmartPay Web site at: <https://www.smartpay.gsa.gov/news/smart-bulletins>.

F. The use of convenience checks is to be the payment method of last resort, when no reasonable alternative merchant is available that accepts the purchase card. Convenience checks cannot be used unless there is no other method of payment. Vendors receiving recurring payments that do not accept the purchase card should be contacted to receive payment via electronic funds transfer (EFT). Documentation must be obtained from the vendor supporting the justification for nonacceptance of the purchase card or EFT payment, or documentation must state no other vendor was available that would accept the purchase card before using the convenience check. The convenience check account holder must retain this documentation. The Department of

the Treasury (Treasury) has ruled that checks are not EFT compliant. EFT waiver requirements are promulgated by Treasury. Regulations that apply to the purchase card also apply to the use of the convenience checks (i.e., single purchase limit cannot exceed the micro-purchase threshold, split purchases are prohibited, etc.). Refer to 010207, Restrictions on Purchase Card and Convenience Check Usage, for additional guidance.

The FSC monitors convenience check usage by running a monthly report of all checks written VA-wide. Reports for the stations writing the most checks each month are reviewed to determine if the check writers are in full compliance with Purchase Card Policy. When questionable transactions are discovered, the FSC contacts the check writer and his or her A/OPC for justification and supporting documentation. When necessary, check writers and A/OPCs are reminded of the restrictions on convenience check use outlined in policy. As of October 2013, all requests for new convenience checks must be routed through the FSC for review. Valid justification is required before the request will be submitted to the servicing bank for processing.

010202 COMPETITIONS AND SOURCES

A. VA purchase cardholders shall ensure only authorized purchases are made. An authorized purchase is defined as a purchase that satisfies a bona fide need at a fair and reasonable price that meets all legal and regulatory requirements in accordance with the Competition Requirements (FAR Part 6 and VAAR Part 806) and Acquisition Planning (FAR Part 7 and VAAR Part 807).

B. Section 508 of the Rehabilitation Act: All micro purchases, including open market buys and those made through Government contract vehicles (e.g., GSA Advantage), will be subject to the provisions set forth in Section 508 of the Rehabilitation Act, unless an exception applies (see FAR Subpart 39.2, Electronic and Information Technology). The Buy Accessible Wizard, a Web-based application (www.buyaccessible.gov) makes it easier to buy products and services that comply with Section 508 of the Rehabilitation Act.

C. VA shall purchase green products and services to the maximum extent practicable and advance sustainable acquisition for the supply of products and for the acquisition of services (including construction) to meet the requirements of the Green Purchase Program in accordance with FAR Section 23, Environment, Energy and Water Efficiency, and Renewable Energy Technologies, Occupational Safety, and Drug-Free Workplace.

010203 TRAINING

A. **VA Purchase Card Initial Training.** All A/OPC levels (see 010409), AOs, cardholders, and convenience check account holders are required to complete the online VA Purchase Card Training prior to the issuance of a purchase card or convenience check with purchasing authority. A copy of the training certificate will be provided as supporting documentation to the Level 4 A/OPC prior to the purchase card application

being submitted to the FSC. The Level 4 A/OPC will also provide their initial training certificate to the next higher A/OPC level.

1. The VA Purchase Card Training course is accessed through VA's Talent Management System (TMS) (TMS #VA 5863) (<https://www.tms.va.gov/plateau/user/login.jsp>) and will be assigned as mandatory training by the supervisor or system administrator.

2. The A/OPC shall certify on the Governmentwide Purchase Card Certification Form (VA 0242) or Convenience Check Certification Form (VA 0242c) that the A/OPC, AO, or purchase cardholder or convenience check account holder have completed the VA Purchase Card training and understands the policies and regulations associated with purchase cards and convenience checks.

3. The employee shall retain the training certificates and ensure they are readily available. The employee shall provide a copy of the certificate to the next level A/OPC. For example, Level 2 A/OPCs will provide a copy of their certificate to the Level 1 A/OPC.

B. VA Purchase Card Refresher Training. Purchase cardholders, convenience check account holders, AOs, and A/OPCs are required to take the *VA Online Purchase Card Training* as refresher training every two years. The Level 4 A/OPCs will monitor the training dates of the purchase cardholders and AOs under their hierarchy to ensure compliance. The Level 2 A/OPCs will monitor the training dates of the Level 4 A/OPCs under their hierarchy.

If a lack of training has been identified, the individual associated with the purchase card account (cardholder, AO, or A/OPC) will be notified to complete the training within 30 days. If the training has not been completed, the Level 4 A/OPC or the Level 2 A/OPC will contact the Level 1 A/OPC to reduce the single purchase limit to one dollar. The employee will have an additional 30 days in which to complete the appropriate training. If the training has not been completed within this 30-day timeframe, the individual's direct-line supervisor will be notified by the Level 4 A/OPC to take appropriate administrative actions. If the training has not been completed within 60 days, the AO or A/OPC will terminate the cardholder's account.

C. GSA Purchase Card Initial/Refresher Training. In addition to the above training requirements, A/OPCs will complete the General Services Administration (GSA) SmartPay2 Purchase Card A/OPC On-Line Training at <https://smartpay.gsa.gov/program-coordinators/training>. Purchase cardholders and convenience check account holders will complete the GSA Purchase Cardholder training (<https://training.smartpay.gsa.gov/>). Refresher training for these courses is required every two years. A copy of the certificate will also be provided to the appropriate A/OPC. The FSC monitors A/OPCs and follows up to ensure A/OPCs are current on the required training.

D. Unauthorized Commitment Training. In an effort to preclude unauthorized commitments and the need for ratification actions, all purchase cardholders, AOs, and A/OPCs are required to complete the online *Unauthorized Commitment (UAC)* offered in TMS (Course #1701572). Refresher training for this course is required every two years.

E. Federal Acquisition Training. Additional training is required for purchase cardholders and AOs where the account has a single purchase threshold exceeding the micro-purchase threshold. Purchase cardholders with authority above the micro-purchase threshold shall have the necessary acquisition training to meet statutory requirements for Federal Acquisition Certification-Contracting (FAC-C) and be issued a warrant. The warrant will be issued based on the appropriate FAC-C Level (I, II, or III) training as well as acquisition criteria; FAC-C training alone does not automatically entitle an employee to be issued a warrant. In addition, while AOs do not need to be warranted contracting officers, the AO must possess at least the same FAC-C Level or higher, than the purchase cardholder. Information on training can be found on [VA OALC Acquisition Academy](#) Web site.

010204 PURCHASE ACCOUNT THRESHOLDS

Purchase cardholders and convenience check account holders are subject to a single purchase threshold and a monthly purchase threshold. AOs will evaluate their current procurement needs to determine the appropriate single purchase and monthly purchase thresholds to be established. AOs will evaluate their procurement needs on an annual basis or as requested by senior management. In some cases, review of purchase cardholder spending patterns may indicate that a decrease in the single and monthly purchase card thresholds is appropriate.

The single and monthly purchase thresholds are established on the VA Form 0242, Purchase Card Certification Form or VA Form 0242c, Convenience Check Certification Form when an account is set up with the servicing bank. Only a purchase card account can be established with the single purchase limit exceeding the micro-purchase limit. A convenience check account is limited to the micro-purchase limit or below. All new accounts must be coordinated with the Level 1 A/OPC. New purchase card accounts with a single purchase threshold above the micro-purchase limit will require authorization and warrant validation from OALC.

Adjustments to the single purchase threshold after the initial setup require a new certification form and must be coordinated with the Level 1 A/OPC. If the account is initially established at the micro-purchase level, an adjustment in excess of the single purchase threshold requires a new completed VA Form 0242. A convenience check account cannot exceed the micro-purchase limit. The purpose of each dollar threshold is as follows:

A. Single Purchase Threshold

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The single purchase threshold is established based on mission needs. A "single purchase" is the total of those items purchased at one time from a particular vendor. Multiple items may be purchased at one time using the card; however, no single purchase may exceed the authorized single purchase threshold. In the event of a warrant authorizing a purchase card account holder multiple spending limits, the single purchase limit will be set at the lowest warranted authorization by the Level 1 A/OPC. Splitting up a purchase to remain under the single purchase threshold is a violation of FAR 13.003(c)(2)(ii).

A split purchase is separating a requirement that exceeds a micro-purchase account single purchase threshold into two or more buys as a means of circumventing the purchase limit. Some examples of split purchases include the following:

1. A single cardholder makes multiple purchases from the same merchant on the same day. The total purchase amount exceeds the single purchase limit, and the total requirement was known at the time of the first purchase.
2. A single cardholder purchases the same or similar item(s) from multiple merchants on the same day. The total purchase amount exceeds the single purchase limit, and the total requirement was known at the time of the first purchase.
3. A single cardholder makes multiple purchases of similar items from the same or multiple merchants over a period of time. The total purchase amount exceeds the single purchase limit, and the total was known at the time of the first purchase. (Note: If a prescription for prosthetics for a Veteran includes multiple items where the known total requirement is \$5,000, but the items are purchased separately to stay below the \$3,000 single purchase threshold, this situation would be considered a "split purchase." If there is a prescription for Veteran A for a walker costing \$2,500, and the next day there is a prescription for Veteran B for a walker costing \$2,500, this situation is not considered "split purchase" as there are two different requirements for two different Veterans.)
4. Multiple cardholders under the same AOs purchase the same or similar item(s) on the same day or in a compressed timeframe. The total purchase amount exceeds the single purchase limit, and the total requirement was known at the time of the first purchase.

B. Monthly Purchase Threshold

The monthly purchase threshold is the maximum total dollar amount a cardholder is authorized to procure each month. This amount is established in the servicing bank EAS when a cardholder's account is first established. The monthly purchase threshold applies to the monthly total of all purchase card and convenience check transactions. This amount is similar to a "credit limit."

010205 INTERNAL CONTROLS

All VA responsible offices/officials (see 0104) will establish procedures to implement and review internal controls for purchase card use. Per Public Law (P.L.) 112-194, "Government Charge Card Abuse Prevention Act of 2012," the agency will have specific policies regarding the number of purchase cards issued by various component organizations. To that end, VA Administrations and Staff Offices will be responsible for assessing the number of cardholders necessary to fulfill their mission, and to limit as much as possible the financial risk to VA. Each responsible office/official is required to reassess, on an annual basis, their internal controls on purchase cards and the number of purchase cards their office has been issued.

A. All responsible VA officials will ensure that adequate internal controls are established and followed and include at a minimum the following:

1. An A/OPC cannot be an account holder or AO.
2. Account holders and A/OPCs will be VA Federal employees and meet locally established criteria to be eligible to obtain the purchase cards or convenience checks. Contractors are not eligible to become purchase cardholders, convenience check account holders or A/OPCs. Special consideration may be given to non-VA personnel employed at integrated Federal Health Care Centers.
3. Each AO's responsibility is limited to no more than 25 purchase card accounts to ensure he or she can adequately review and verify or approve every cardholder's purchases, at least monthly. Prosthetics will have a ratio of 40 purchase card accounts to AO until an information technology change is made allowing costing information to be updated in the Prosthetics VistA Suite Graphical User Interface program.
4. The total number of convenience check accounts will be limited to no more than five accounts per station or facility. Convenience check account holder names must be printed on the face of the convenience checks.
5. VA officials will create an environment that precludes attempts at fraud, misuse, and abuse of purchase cards and convenience checks. Key duties in the purchase card program must be segregated among different roles to the greatest extent possible to minimize the risk of loss to the Government. This should include separating the responsibilities for making purchases, authorizing purchases and payments (as part of the reconciliation process), certifying funding, and reviewing or auditing. No one individual can control all key aspects of a transaction. If a cardholder also receives the goods and services, he or she must get an independent third party verification that the item ordered was received and document the third party verification.
6. The purchase or convenience check account holder will secure the purchase card(s) and convenience checks in a locked cabinet, drawer, or safe. The authorized account

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holder will not release purchase card numbers or convenience checks to anyone. When the purchase cards and convenience checks are not in use, the account holder may not remove them from his or her official duty location.

7. The purchase or convenience check account holder will identify the need for the purchase, will ensure that funds are available for the purchase, and will determine whether the funding type and purchase are appropriate.

8. Billing statement reconciliations and certifications are performed within timeframes specified in 010212C.

9. Items purchased are verified as received. Supporting documentation is maintained (including but not limited to receipts, invoices, packing slips, and any other information supporting valid Government need).

10. Charges are verified as for official purposes.

11. Purchases are reasonably priced.

B. Convenience checks must be used in sequential order. Each convenience check issued or voided must be entered in a check register or log for tracking purposes. Convenience checks should be written only for the exact amount of the purchase. The check fee must also be deducted in the register or log, if applicable. At a minimum, the following information must be entered on each check:

1. DATE: Enter the date on which the check is being issued. Spell out the date (e.g., October 30, 2008). Do not predate or postdate a convenience check;
2. PAY TO THE ORDER OF: Enter the name of the payee. Under no circumstances may convenience checks be issued to "cash" or the payee line left blank. Checks may not be issued to "self;"
3. AMOUNT: Write the amount of the convenience check in the spaces provided in numbers and words; e.g., one hundred twenty-six dollars and 39/100 in the applicable space; and
4. SIGNATURE: Sign with an original signature.

Regarding voiding checks or processing a stop payment on convenience checks, the person whose name is on the account, or the A/OPC, can contact the servicing bank's customer service department to have a stop pay request submitted. He or she needs to provide the check number, dollar amount, who the check was payable to, and the date of the check. Customer service should advise that the stop pay process is subject to a 24-hour period, during which the servicing bank cannot guarantee the check will be stopped if the check is already in the current days processing.

C. The Level 4 A/OPC will record each account holder of a purchase card or convenience check under his or her program hierarchy, and annotate the limitations on

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single transactions and total monthly transactions that are applicable to the use of each card or check by that purchase cardholder. On a monthly basis, the A/OPC will review the account record for the purchase cardholder for any violations of the thresholds. Any threshold violations will be reported to the AO and next level A/OPC for follow-up action.

D. Internal controls include conducting periodic reviews of the VA purchase card and convenience check program to ensure that all participants follow VA policies and procedures. Results of internal reviews will be documented and corrective actions will be monitored to ensure they are effectively implemented.

VA's Management Quality Assurance Service (MQAS) will systematically select sample purchases for auditing by facility/field stations on a regular basis.

E. Under the Government Charge Card Abuse Prevention Act of 2012, the Office of Inspector General (OIG) will conduct periodic risk assessments of VA's purchase cards (including convenience checks) to analyze the risks of illegal, improper, or erroneous purchases. OIG will use these risk assessments to determine the scope, frequency, and number of OIG audits or reviews of these programs. At a minimum, these risk assessments will be conducted on an annual basis. OIG will report to the Director of the Office of Management and Budget (OMB) 120 days after the end of each fiscal year on VA's progress in implementing audit recommendations, beginning with fiscal year 2013.

010206 SEPARATION OF DUTIES AND SUPERVISION

There must be a clear separation of duties to minimize the risk of fraud and/or loss of property. Key duties and responsibilities include the following areas (OMB A123 Appendix B):

- Making purchases (Cardholder);
- Authorizing purchases and payments (AO's role completed as part of monthly reconciliation process);
- Certifying funding (Level 1 A/OPC who approves schedule of payment transmitted to Treasury for disbursements); and
- Reviewing and auditing (Levels 2, 3, and 4 A/OPC).

Managers will ensure that these responsibilities are assigned to separate individuals and exercise appropriate oversight to ensure these individuals do not exceed or abuse their assigned authorities.

The participant roles in the purchase card and convenience check program are restricted as follows:

A. The A/OPC may not be an account holder, nor may he or she perform the AO functions.

B. A purchase cardholder cannot be an AO. However, where staffing levels necessitate, the AO may be a cardholder, but cannot be the AO for his or her own card. No individual may be the AO for his or her supervisor. Dual functions by the same individual cannot occur under the same account. Verification of separation of duties will be accomplished based on the completed VA Form 0242 and VA Form 0242c.

C. All expenditures made in association with a conference must have prior written approval by the Responsible Conference Executive (RCE) assigned to the conference, to ensure costs remain within the limitations specified in the approval proposal. Documentation of the expenditures must be provided to the RCE by the purchase cardholder or convenience check account holder.

010207 RESTRICTIONS ON PURCHASE CARD AND CONVENIENCE CHECK USAGE

A. The purchase card and convenience check will not be used for the procurement of:

1. Long-term rental or lease of land or buildings of any type per FAR;
2. Employee travel (airline, bus, boat, or train tickets) or travel-related expenses, excluding local transportation for employees or Veterans, e.g., Metro fare cards, subway tokens, toll passes;
3. Personal goods of any kind;
4. Items to be given away, presented as a gift, or disposed of where the Government loses title, without legislative authority (excludes items authorized by VA Financial Policy Volume II, Chapter 4, *Awards, Ceremonies, Food or Refreshments, Gifts or Mementos*);
5. Gift cards except for "patient only" purchases from the General Post Fund, which directly benefits the Veteran;
6. Items where the payment method is through a third party payment mechanisms (PayPal, E-Money, E-Account, Amazon MKT, Google Checkout, etc.). When a third party vendor is used to process purchase card payments, the vendor shows up as the merchant name, masking what is bought and circumventing the Merchant Category Code (MCC) blocks. Additionally, in most instances, disputes involving third party merchants are not resolved with the bank because billing discrepancies must be addressed directly with the merchant or supplier.

The use of third party payment mechanisms like PayPal are discouraged because it is extremely difficult to determine the merchant from which the product or service was obtained for reconciliation and 1099 filing (when necessary). However, if a third party payment process is used, documentation with justification that will identify the vendor and

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specific items purchased are required and maintained by the cardholder (the AO will need this information to complete his or her required reconciliation).

7. Promotional items, or Stuff We All Get (SWAG), in conjunction with a conference, such as mementos, gifts, keepsakes, prize items, and other VA "logo" or "message" items for distribution to VA and other Federal employees is prohibited.

B. In addition to the above restrictions, convenience checks cannot be used for:

1. Vendors who accept the purchase charge card or EFT payment;
2. Vendor transactions already under another method of payment (e.g. EFT or purchase charge card) as established under a purchase order;
3. Employee reimbursements;
4. Cash advances;
5. Salary payments, cash awards, or any transaction processed through the payroll system;
6. Employee travel-related transportation tickets;
7. Meals or lodging related to employee travel except in relation to emergency incident response;
8. Veteran benefit payments including but not limited to Personal Funds of Patient (PFOP) reimbursements and Compensated Work Therapy (CWT) salary payments; or
9. Purchases above the micro-purchase thresholds.

010208 STANDARDS OF CONDUCT

VA will only use the Government purchase card and convenience checks to purchase authorized items within the guidelines of the Government purchase card program. Under no circumstances will the purchase card or convenience check be used for personal purchases. Government employees hold a public trust and their conduct must meet the highest ethical standards. Each employee has a duty to protect and conserve Government property and will not use a Government purchase card or convenience check or allow its use, for other than purposes authorized under this policy.¹ The Standards of Conduct, which apply to Government purchase cardholders and convenience check account holders, further state that employees may not solicit or accept any gratuity, gift, favor, entertainment, loan, or anything of monetary value from

¹ Refer to Office of Government Ethics, Standards of Conduct for Executive Branch Employees, Use of Government Property, 5 C.F.R. §2635.704.

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any party doing business with or seeking to obtain business with VA (5 C.F.R. §2635.202). Employees may seek ethics advice from their regional counsel or an ethics official at the Office of General Counsel.

010209 UNAUTHORIZED USE

Violations of VA's approval requirements, spending limitations, internal controls, or prohibitions are considered misuse of the purchase card or convenience check. Intentional use of the purchase card or convenience check by a cardholder or convenience check account holder for other than official Government business will result in immediate cancellation of the employee's purchase card or convenience check account by the A/OPC.

A. An account holder who uses the purchase card or convenience check for other than official Government business may be held liable for an attempt to commit fraud against the U.S. Government. The AO may also be held pecuniarily liable as an accountable official. The employee will be personally liable to the Government for the amount of any unauthorized transaction and may be subject to criminal prosecution.

A purchase identified as a personal expense is considered an Anti-Deficiency Act (ADA) violation per 31 U.S.C. §1301(a), which states public funds may be used only for the purpose(s) for which they were appropriated. It prohibits charging authorized items to the wrong appropriation and unauthorized items to any appropriation. When a determination has been made that an ADA violation has occurred, the agency head must report all relevant facts, including a statement of actions taken, to the President and Congress. Additional policy guidance is in VA Financial Policies, Volume II, Chapter 5, Obligations Policy.

Misuse of the Government purchase card or convenience check or failure to adhere to the policies and regulations governing procurement, is cause for revocation of AO or cardholder authority and may result in disciplinary action against the individuals responsible for the purchases, approvals, and oversight (cardholders, AOs, or A/OPCs) under applicable VA and Governmentwide administrative procedures, up to and including removal from employment. Refer to VA Handbook 5021, Part I, Appendix A, Employee-Management Relations, for disciplinary actions.

B. Upon notification of any unauthorized commitment or misuse of the purchase card or convenience check account, the Level 4 or Level 2 A/OPC will notify the Level 1 A/OPC to suspend the account by immediately reducing the single purchase threshold of the account holder to one dollar. The single purchase threshold will remain at one dollar during the investigation. Upon completion of the investigation, details to include action taken will be provided to the FSC within 30 days.

010210 PENALTIES

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A. VA Handbook 5021/15, Part I, Appendix A (I-A-9, Nature of Offense 41), *Employee-Management Relations* (July 19, 2013), contains guidance on disciplinary actions related to the Purchase Card Program. Purchase card and convenience check account holders, AOs, and A/OPCs are responsible for following VA purchase card and convenience check account policies, VA Acquisition Regulation and FAR, and can receive disciplinary action for failure to follow VA or Federal policy. Failure to adhere to the rules governing the use of Government charge cards or convenience checks will result in the following:

1. First offense range: admonishment to removal
2. Second offense range: 7 days suspension to removal
3. Third offense: 14 days suspension to removal

B. In accordance with the P.L. 104-134, "Debt Collection Improvement Act of 1996," and P.L. 112-194, "Government Charge Card Abuse Prevention Act of 2012," VA may recover from an employee the full cost of unauthorized purchases plus interest and administrative debt collection fees. VA will take all actions necessary to collect the debt, including salary offset, if necessary, in accordance with VA and Governmentwide administrative procedures. Refer to *Volume XII, Debt Management*, for financial policies and procedures relating to various debt collection issues.

010211 REPORTS OF PURCHASE CARD VIOLATIONS

Per OMB Memorandum M-13-21, "Implementation of the Government Charge Card Abuse Prevention Act of 2012," dated September 6, 2013, beginning with fiscal year 2013, VA is required to submit semi-annual reports of employee purchase card violations and the disposition of these violations, including disciplinary actions taken. Violations reported include significant misuse of the card, which the agency considered to be willful by the cardholder, as confirmed by a completed Inspector General report or other agency reviews (i.e., internal audits, AO reconciliations, or A/OPC oversight).

At a minimum, the report will contain the following:

- A. A summary description of confirmed violations involving misuse of a purchase card following completion of a review by the agency or by the Inspector General of the agency.
- B. A summary description of all adverse personnel action, punishment, or other action taken based on each violation.

All completed internal audits which have identified inappropriate use or misuse of the purchase card or convenience check accounts will be forwarded to the FSC Charge Card Operations Division within 30 days. If the disciplinary actions are not identified in the audit report, the senior management of the location of the audit will forward any actions taken against the account holders within 30 days of audit completion.

Violations identified through AO reconciliations or A/OPC oversight at any level as well as corresponding disciplinary actions will be reported on a monthly basis to the Level 1 A/OPC and the FSC Charge Card Operations Division.

Reportable violations do not include administrative process inconsistencies, which do not result in a loss to the Government. Violations of internal controls are generally not reportable, unless such violation(s) was/were egregious in nature, resulted in fraud, any misappropriation of funds or assets whether or not recouped, or if the internal control violation contributed to a reportable card misuse violation.

The semi-annual Joint Purchase and Integrated² Card Violation Report is to be prepared by the FSC Charge Card Operations Division and the VA OIG for submission to the Director of the OMB 120 days after the end of the reporting periods (i.e., April 1st to September 30th and October 1st to March 30th), beginning with a January 31, 2014, submission.

010212 PAYMENT, RECONCILIATION, AND DISPUTE PROCEDURES

A. Prompt Payment Compliance. Timely payments are essential to avoid the imposition of an interest penalty on VA and to limit the financial burden borne by the purchase card servicing bank. In accordance with the Prompt Payment Regulation, 5 C.F.R. §1315.8, the FSC will determine the purchase card payment dates based on an analysis of the total costs and benefits to the Federal Government as a whole, unless specified in a contract. When calculating costs and benefits, VA is expected to include the cost to the Government of paying early. Payment due dates may be calculated using the refund formula provided in the regulation, unless the payment due date has been determined in the contract.

B. Documentation. When micro-purchases are made (in person, by e-mail, Internet, fax, or telephone) appropriate supporting documentation will be retained (electronic or hard copy). The following identifies valid documentation to verify and reconcile the purchases:

1. When a purchase is made in person, the cardholder will obtain a customer copy of the detailed charge slip.
2. When making purchases by e-mail, fax, or telephone, the cardholder will obtain written confirmation (in the form of a detailed listing) of the order from the vendor and retain a hard copy or electronic copy of the order.
3. When making a purchase via the Internet, the cardholder will print the electronic confirmation associated with the order. The print out shall include the detailed listing of the order.

² Integrated cards are two or more business lines (card types) whose processes are integrated into one card. VA currently does not have any integrated cards.

In accordance with National Archives and Records Administration (NARA), General Schedule 6, Accountable Officers' Accounts Records, records retention regulations, charge card documents, records, and receipts are required to be maintained for 6 years and 3 months.

C. Requirement for Timely and Accurate Reconciliation. To ensure compliance with the P.L. 112-194, "Government Charge Card Abuse Prevention Act of 2012," both the cardholder and AO must perform reconciling activity. VA personnel responsible for critical duties, such as reconciliation and certification of purchase card transactions are listed below.

1. Cardholders and AOs must reconcile the charges appearing on each statement of account for the purchase cards with receipts and other supporting documentation using the U.S. Bank or other FSC approved automated system reconciliation process. The reconciliation should verify the accuracy of charges, convenience check issued, vendor names, records of orders, and received items. Cardholders will report any improper, incorrect, fraudulent, or duplicate payments to their AO and A/OPC promptly to ensure that the Federal Government ultimately pays only for valid charges that are consistent with the terms of the applicable Governmentwide purchase card contract entered into by the Administrator of the GSA and proper recovery from the vendor. If the vendor is unresponsive, the charge will be disputed with the card servicing bank within 90 calendar days from the date the transaction was processed. The cardholder is ultimately responsible for ensuring that all purchase card transactions are proper and for taking immediate action on any improper purchase.

- a. Cardholders and AOs must complete a monthly reconciliation process through U.S. Bank or other FSC approved automated system no later than 10 and 14 working days respectively after the billing cycle. Any improper billing will be disputed within 90 calendar days from the date the transaction was processed. Per the GSA SmartPay 2 Master Contract, cardholders are responsible for reporting billing discrepancies to the bank within 90 calendar days from the date the transaction was processed to initiate a dispute.

- b. Purchase transactions are posted within 24 hours of being received by the servicing bank. The cardholder will follow up first with the merchant on any delayed postings and then with the servicing bank, if necessary. Cardholders who frequently use their purchase cards should increase the frequency of reconciliation in order to keep reconciliation sessions brief and to assist VA management and finance officials in monitoring status of funds.

2. The AO will review and document approval that the cardholder's purchases are legitimate expenditures.

3. The Level 4 A/OPC will monitor the reconciliation to ensure compliance. If a cardholder or AO has not completed reconciliation of his or her purchase account after 45

working days from the billing cycle, the Level 4 or Level 2 A/OPC will notify the Level 1 A/OPC to temporarily lower the single purchase threshold to one dollar until reconciliation procedures are completed.

D. Disputes

1. **Purchase Card Transactions.** The cardholder is responsible for contacting the vendor and attempting to resolve the dispute. If the dispute with the vendor cannot be resolved, the cardholder will contact the servicing bank for assistance. The cardholder has 90 days to file a dispute.

2. **Convenience Check Transactions.** Convenience checks CANNOT be disputed through the servicing bank's EAS. If the check has not cleared the servicing bank, the check writer's Level 4 A/OPC must contact the servicing bank to stop payment. The servicing bank will stop payment on the convenience check within 24 hours. The check writer will then work with the vendor to resolve the dispute. There is no cost for stopping payment on a convenience check. If the check has appeared in an account holder statement to be reconciled, it has already been paid. In this case, a stop payment cannot be issued. At this point, the check writer must work directly with the card servicing bank and the vendor to resolve the dispute. If, after working with the card servicing bank and the vendor, resolution of the dispute involves a refund or credit to VA, the cardholder will contact their Level 4 A/OPC. The Level 4 A/OPC will contact the servicing bank to work out the proper refund process.

010213 INACTIVE ACCOUNTS

Purchase accounts will be monitored on a monthly basis by the Level 4 A/OPC. The Level 4 A/OPC will notify the Level 1 A/OPC of purchase card accounts with no transaction activity in a consecutive 6-month period and will be reduced by the Level 1 A/OPC to a \$1 single purchase threshold.

Accounts with no transaction activity in a consecutive 12-month period will be closed. Closure of an account can be processed by all level A/OPCs with access to the account. Exceptions to closure are defined in the bank's EAS with the following text:

- Disaster Emergency Medical Personnel System (DEMPS): Accounts used specifically for personnel assigned in DEMPS selected for a disaster or emergency response.
- Emergency Response: Accounts used only at times of natural disasters (not back-up cards).

All purchase cards used for the above exceptions must have the activity name embossed on the card and listed on the servicing bank account for easy identification.

010214 VETERAN (BENEFICIARY) TRAVEL EXPENSES

Although not mandatory, CBA travel cards, as opposed to purchase cards, should be used for Veteran travel expenses. When a VA facility chooses to use a purchase card to pay for Veteran travel expenses, the facility will comply with the following:

- Cardholders must obtain appropriate written authorization from the AO prior to making purchases;
- Cardholders must document and maintain transaction details (traveler name, travel dates, location, purpose of trip, amount, merchant name, date and description of purchase) in a log; and
- All documentation must be available upon request.

010215 MERCHANT CATEGORY CODE GROUP (MCCG) RESTRICTIONS

To reduce unnecessary risk to the VA purchase card program, VA has established standard MCCG templates to match VA spending.

A. Only VA MCCG templates will be added to purchase card accounts. Individual MCCGs will not be placed on cardholder accounts. A/OPCs may contact the Charge Card Operations office at the FSC to have existing VA MCCG templates added to or removed from purchase card accounts.

B. Requests to add or remove individual MCCs from existing VA MCCG templates will be submitted to the Level 1 A/OPC Purchase Card Manager. Requests will include justification as well as risk factors associated with updating the MCC for all accounts. Final approval will be received from the Director of Accounting, Payroll and Travel Policy, Office of Financial Policy.

010216 ACCOUNT MAINTENANCE

A. Changes in Cardholder Status. Cardholders anticipating retirement, resignation, transfer, etc. must stop using the card at least two weeks in advance of their separation or transfer date to allow all outstanding transactions to be processed before their separation or transfer. The cardholder must also give the AO any remaining receipts or other documents related to outstanding transactions prior to their departure. The current purchase card or convenience check account must be canceled, and a new purchase card account must be established.

The AO is responsible for ensuring and verifying that all outstanding transactions are processed and reconciliation on the account is completed when a cardholder departs the purchase card program. The AO will notify the A/OPC to cancel the cardholder's

account. The account will be closed as soon as the employee is no longer a VA employee or has transferred into a different VA organization.

B. Changes in AO Status. AOs who anticipate retirement, resignation, transfer, or other separation from the organization will notify the A/OPC and direct line supervisor to identify a replacement. The exiting AO will process any outstanding approvals in the bank system prior to departure. After the new AO has completed all required training, the A/OPC will create a profile in the bank system and reassign the cardholder accounts to the new profile.

C. Changes in A/OPC Status. A/OPCs who are no longer in their position will have their bank access immediately terminated by the next higher A/OPC. A Point of Contact Maintenance Form Purchase 3059 must be submitted to the Level 1 A/OPC for processing with U.S. Bank. The purpose of the form is to update the managing account information associated with the station. This form is required for all purchase and convenience checks the A/OPC will manage.

D. Exit Clearance Process. As part of the exit clearance process, the Level 4 A/OPC will confirm in the servicing bank system the purchase card or convenience check account(s) has been closed. In addition, the Level 4 A/OPC will confirm the AO has certified in the bank system or validated to the Level 4 A/OPC the cardholder has completed all order and payment reconciliations or has provided sufficient documentation so that the AO may complete the reconciliations.

0103 AUTHORITIES AND REFERENCES

010301 29 U.S.C. §794, Nondiscrimination under Federal grants and programs

010302 P.L. 104-134, "Debt Collection Improvement Act of 1996"

010303 38 U.S.C. §8127, Small Business Concerns Owned and Controlled by Veterans: Contracting Goals and Preferences

010304 5 C.F.R. Part 1315, Prompt Payment, August 25, 2008

010305 5 C.F.R. Part 2635, Standards of Ethical Conduct for Employees of the Executive Branch

010306 5 C.F.R. Section 2635.202, Standards of Ethical Conduct for Employees of the Executive Branch, Gifts from Outside Sources, General Standards

010307 5 C.F.R. Section 2635.704, Standards of Ethical Conduct for Employees of the Executive Branch, Misuse of Position, Use of Government Property

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010308 48 C.F.R., Federal Acquisition Regulation (FAR); Part 13, Simplified Acquisition Procedures; Part 32.11, Electronic Funds Transfer

010309 48 C.F.R. Volume 5, Chapter 8, Federal Acquisition Regulation System, Department of Veterans Affairs Acquisition Regulation (Veterans Affairs Acquisition Regulations [VAAR])

010310 Executive Order 13360, "Contracting with Service-Disabled Veteran Businesses," dated October 26, 2004

010311 Executive Order 13423, "Strengthening Federal Environmental, Energy and Transportation Management," dated January 24, 2007

010312 Executive Order 13514, "Federal Leadership in Environmental, Energy and Economic Performance," dated October 5, 2009

010313 OMB Circular A-123, Appendix B, Improving the Management of Government Charge Card Programs

010314 Treasury Financial Manual Volume 1, Part 4, Chapter 4500, Government Purchase Cards

010315 U.S. Government Accountability Office (GAO), Principles of Federal Appropriations Law Volume I, Chapter 4, Section C, Part 5 – Entertainment, Recreation, Morale and Welfare

010316 VA Directive 6221, Accessible Electronic and Information Technology

010317 VA Directive 7002, Logistics Management Policy

010318 VA Directive 7401.6, Limited Authority to Pay by Purchase Card

010319 VA Directive 7401.7, Unauthorized Commitments and Ratification

010320 VA Handbook 5021, Part I, Employee-Management Relations, Appendix A Paragraph 2

010321 VA Handbook 7002, Logistics Management Procedures

010322 VA Implementation Plan under Executive Order 13360, Contracting with Service-Disabled Veterans' Businesses

010323 Office of Financial Policy (internet)

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010324 P.L. 112-194, "Government Charge Card Abuse Prevention Act of 2012," dated October 5, 2012

010325 GSA SmartPay Bulletins

010326 31 U.S.C. §3528, Responsibilities and relief from liability of certifying officials

010327 31 U.S.C. §3529, Requests for decisions of the Comptroller General

010328 Supplement to the Treasury Financial Manual, Volume I, Part 4A, Chapter 3000, Now That You're a Certifying Officer

010329 OMB Memorandum M-13-21, Implementation of the Government Charge Card Abuse Prevention Act of 2012, dated September 6, 2013

010330 Treasury Final Rule, 31 CFR Part 208, Management of Federal Agency Disbursements

010331 GSA Smart Bulletin No. 021, OMB Memorandum M-13-21 and Charge Card Compliance Summary, dated September 6, 2013

010332 Veterans Affairs Memoranda as follow:

- Deputy Assistant Secretary for Acquisition and Logistics memo, "Non-1102 Warrants," dated March 29, 2011
- Deputy Assistant Secretary for Finance (047), Deputy Assistant Secretary for Acquisition and Logistics and VA Senior Procurement Executive (003A) memo, "Validation of Warrants for Purchase Cardholders" dated November 13, 2012.
- Deputy Assistant Secretary for Acquisition and Logistics (003A) and VA Senior Procurement Executive memo, "Non-compliant Government Purchase Card Transactions," dated December 4, 2012

0104 ROLES AND RESPONSIBILITIES

010401 The Assistant Secretary for Management and CFO oversees all financial management activities relating to the Department's programs and operations, as required by the Chief Financial Officers Act of 1990 and 38 U.S.C. §309. Responsibilities include the direction, management, and provision of policy guidance and oversight of VA's financial management personnel, activities and operations. The CFO establishes financial policy, systems and operating procedures for all VA financial entities and provides guidance on all aspects of financial management.

010402 Under Secretaries, Assistant Secretaries, CFOs, Finance Officers, Chiefs of Finance Activities, Fiscal Officials, Chief Accountants, and other Key Officials have a managerial oversight responsibility for ensuring compliance with the policies and procedures set forth in this chapter.

010403 The Office of Finance, Office of Financial Policy (OFP) is responsible for developing, coordinating, reviewing, evaluating, and issuing VA financial policies, including those that impact financial systems and procedures for compliance with all financial laws and regulations. The Management and Financial Reports Service (047GB) within OFP is responsible for preparing various VA comprehensive financial reports, such as those required by the President and the Executive Branch, including OMB/Treasury reports from the Hyperion (MinX) software. OFP is also responsible for working with the Office of Inspector General's independent contract auditors on VA's annual Consolidated Financial Statements audit and preparing and reviewing Consolidated Financial Statements, Notes and Required Supplementary Information, etc.

010404 OALC is responsible for acquisition policy and for:

A. Providing the FSC, on a weekly basis, a list of individuals that have authority to purchase above the micro-purchase threshold.

B. Notifying the FSC of the thresholds for those on the listing with authorization above the micro-purchase threshold.

C. Serving as the approving authority for unauthorized commitments made by staff assigned to a field facility for supplies, services (except leases of real property) and construction. For VA Central Office (VACO) organizations, for supplies, services (except leases of real property), and construction, the approving authorities for unauthorized commitments made by staff assigned to the Administrations are the respective CFOs. The approving authority for unauthorized commitments made by staff assigned to any other organization within VACO is the Deputy Assistant Secretary for Acquisition and Logistics.

D. Requiring Heads of Contracting Activities (HCA) to complete ratifications actions within a specified number of days (as stipulated by VA Directive and Handbook 7401.7, Unauthorized Commitments and Ratification, Reporting Procedures) after the identification of unauthorized commitments.

E. Per P.L. 112-194, "Government Charge Card Abuse Prevention Act of 2012," OALC will annually conduct spend analyses of the cardholder's purchases to optimize purchasing power. The spend analyses will identify strategic sourcing areas, which could be centralized to obtain appropriate discounts.

010405 The FSC Charge Card Operations Division is responsible for:

A. Roles and responsibilities as the Level 1 A/OPC for purchase card operations and responsible for all procedural and oversight duties as outlined under Paragraph 010409 A/OPC.

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B. Developing and maintaining a charge card management plan. The charge card management plan will include elements consistent with the requirements of OMB Circular A-123, Appendix B. The plan will also include disciplinary actions for misuse of the purchase card or convenience check accounts. The plan must be updated annually, or more frequently if necessary, to remain current. The FSC will submit a copy of the VA's charge card management plan to OMB, Office of Federal Financial Management, on an annual basis, not later than January 31 of each calendar year.

C. Verifying the accuracy and timeliness of payments for all purchase card and convenience check accounts to the Treasury. Payment rejects will be identified to the cardholder, AO, or CFO at the facility for assistance in clearing the rejects from the financial system.

D. Ensuring purchase card refunds are properly processed and accounted for in the financial system on a quarterly basis. The FSC will provide notification to the CFOs regarding any additional actions required.

E. Performing periodic reviews to ensure that purchase cardholders or convenience check account holders are current VA employees. These reviews will be done on a monthly basis. Additional reviews may be conducted as requested by senior management.

F. Providing monthly performance reports on purchase card and convenience check usage to Office of Finance management. These performance reports may include, but are not limited to, the following metrics:

1. Number of open purchase card accounts (purchase and convenience checks)
2. Number of transactions
3. Amount of refunds (actual or anticipated)
4. Comparison of spend between months and years
5. Purchases by budget object codes (BOCs)
6. Comparison of BOC amounts
7. Number and reason of purchase declined transactions
8. Number and cost of reported inappropriate or misuse

G. Preparing and submitting the semi-annual Joint Purchase and Integrated³ Card Violation Report in coordination with the OIG to OMB.

010406 All VA officials are responsible for the implementation and management of the Government purchase card program within their respective organization. Authority is delegated to them to issue operational procedures, establish procedures to implement

³ Integrated cards are two or more business lines (card types) whose processes are integrated into one card. VA currently does not have any integrated cards.

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management controls for card use and ensure that adequate internal controls are established and followed.

Direct-line supervisors are responsible for appointing the employees responsible for the Government purchase card program. The supervisors will provide the necessary justification for appointments of any part-time, term or temporary VA employees. When informed of any adverse activity associated with their employee, the supervisor will determine whether or not the employee's purchase card responsibilities will be revoked and if any disciplinary action is warranted.

010407 The Office of Business Oversight's MQAS is responsible for:

A. Performing reviews on a routine basis. Annual summaries of these reviews are provided to VA senior management. Results of the quarterly reviews will be shared with facility level managers having compliance issues. MQAS will also forward reviews to the FSC to be included in the semi-annual report to OMB.

- Random Audits. MQAS randomly selects transactions each month to review. Responses and supporting documentation must be returned by said deadlines or the Level 1 A/OPC will be notified to suspend the account.
- Data Mining. MQAS identifies questionable transactions each month for review. Responses and supporting documentation must be returned by said deadlines or the Level 1 A/OPC will be notified to suspend the account.

These reviews may include, but are not limited, to the following areas:

- Timely reconciliation by cardholder and AO;
- Proper costing of purchases;
- Proper billing by the vendor;
- Sufficient supporting documentation and proper retention;
- Review of certification forms to determine separation of duties and account thresholds;
- Review of purchases to determine if intentional split purchases were made to avoid exceeding established single purchase threshold; and
- Training certificates to ensure initial training occurred and refresher training is current.

B. Conducting recurring reviews of purchase card transactions above the micro-purchase threshold to identify transactions made by cardholders without appropriate warrant authority. All unauthorized commitments will be reported to senior leadership of the responsible facility or Staff Office for ratification action. MQAS will track all unauthorized commitments until ratifications are completed.

010408 The OIG in coordination with the FSC Charge Card Operations Division, will submit to the Director, OMB, on a semi-annual basis, a joint report on violations by VA employees.

010409 A/OPCs must be fully trained to perform their tasks, to include proficiency in the EAS and its various reports to manage the program and monitor purchase card and convenience check usage. The A/OPC is responsible for:

- A. Ensuring completion and retention of mandatory training of cardholders, convenience check account holders, AOs, and alternate AOs, as well as VA Form 0242 or 0242c prior to issuance of purchase cards and convenience checks. The delegating authority will certify completion by signing the Governmentwide Purchase Card and Convenience Check Certification Form, VA Form 0242 and 0242c;
- B. Ensuring refresher training is completed every two years for all AOs and cardholders and convenience check account holders;
- C. Ensuring AOs' profiles and A/OPCs' point of contact information are registered in Access On-Line at servicing bank;
- D. Retrieving and canceling all cards and convenience checks of any employee who terminates employment, violates Government Purchase Card Program procedures, transfers to a different position, his or her duties have changed in his or her current position, or he or she no longer has purchasing responsibilities;
- E. Being the designated point of contact for VA receipt of all purchase cards and convenience checks after initial setup and following up on non-receipt of cards or checks;
- F. Coordinating the joint review of cardholders and AOs to ensure compliance with applicable policy and procedures, in conjunction with the finance or fiscal officer;
- G. Distributing cards to cardholders with activation instructions as provided with the card;
- H. Performing daily maintenance online in the purchase card and convenience check servicing bank's EAS including setting up cardholder and convenience check accounts and deleting accounts;
- I. Ensuring thresholds are set at appropriate levels based on the VA Form 0242 or 0242c. No convenience check account threshold may exceed the micro-purchase threshold, currently \$3,000. No purchase card single purchase threshold may exceed the micro-purchase threshold unless proper warranting documentation is presented and annotated on the certification form;
- J. Monitoring the U.S. Bank or other FSC approved automated system reconciliation to ensure that all cardholders and AOs have completed their reconciliations. On the 45th working day after the billing cycle, the A/OPC must take action to temporarily lower the single purchase threshold to one dollar until reconciliation procedures are completed.

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K. Ensuring proper receipt retention for 6 years and 3 months for current, reassigned, transferred, departed, and separated cardholders;

L. Reviewing cardholder and convenience check account transaction reports for anomalies and questionable transactions on a monthly basis and taking action when appropriate;

M. Performing annual assessments to determine the appropriateness of cardholder purchasing thresholds; and

N. Performing annual assessment of the need for a purchase card account to remain open.

010410 Levels of A/OPC consist of the following:

A. Level 1 A/OPC: The FSC Charge Card Operations Office provides VA-wide oversight for all purchase card A/OPCs. They are responsible for:

1. Implementing risk management controls, policies, and practices.
2. Staying abreast on Government purchase card issues, including pending legislation related to purchase cards;
3. Serving as liaison to the servicing bank to provide training and guidance to all A/OPCs, AOs, and cardholders;
4. Reviewing and acting on reports to prevent or identify fraud, waste, and abuse;
5. Ensuring A/OPCs complete initial training requirements and refresher training;
6. Reviewing and monitoring reports to ensure compliance with Governmentwide and VA policy; and
7. Assisting cardholders and all A/OPCs with questions and issues concerning use of the purchase card or convenience check.

B. Level 2 A/OPC: This A/OPC level is at the Administrations (Veterans Health Administration [VHA], Veterans Benefits Administration [VBA], and National Cemetery Administration [NCA]), the Office of Information and Technology (OIT), and the FSC. This level provides oversight for Level 3 and Level 4 A/OPCs. They are responsible for:

1. Developing and implementing Administration-specific purchase card policy and internal controls in accordance with VA-wide purchase card policy;
2. Ensuring A/OPCs complete initial training requirements and refresher training;

3. Reviewing and monitoring reports to ensure compliance with Governmentwide and VA policy;

4. Approving or denying requests to add or remove MCCs from VA MCC templates. Requests approved by the Level 2 A/OPC will be forwarded to the Level 1 A/OPC for final approval in coordination with OFP; and

5. Assisting A/OPCs with questions and issues concerning use of the purchase card or convenience check within the Administration.

C. Level 3 A/OPC: This A/OPC level is an intermediate level between Level 2 and Level 4 A/OPCs. For example, this level for VHA would be established at the VISN level. This level will provide oversight for Level 4 A/OPCs.

D. Level 4 A/OPC: This A/OPC level is directly responsible for oversight of card usage in accordance with VA policy and all day-to-day functions between the servicing bank, the cardholders, and the AOs under his or her hierarchy.

010411 Purchase Cardholder. The cardholder is the individual to whom a purchase card is issued. The purchase card bears the individual's name and may only be used by that individual. No other person is authorized to use the card. The cardholder is responsible for:

A. Completing training on proper use of the purchase card;

B. Being knowledgeable of limitations on spending;

C. Complying with all acquisition regulations;

D. Verifying funds availability prior to making purchases;

E. Complying with single purchase and monthly thresholds (single purchase threshold, FAR 13.003 Policy (c) (2) – Do not break down requirements aggregating more than the acquisition threshold into several purchases that are less than the applicable threshold merely to—(i) permit use of simplified acquisition procedures; or (ii) avoid any requirement that applies to purchases exceeding the micro-purchase threshold);

Example 1: A purchase cardholder has multiple purchases from the same vendor on the same day where the known requirement exceeds the micro-purchase threshold. This is only a split if the cardholder intentionally separated the purchase into multiple transactions to avoid exceeding the threshold. Using the purchase of a training class to demonstrate the difference, a transaction would be considered split if a single class costing \$4,000 was broken into two payments of \$2,000. It would not be a split if the purchase cardholder paid for employee training where multiple employees went to the

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same vendor for training and the individual charges, when totaled, exceeded the single purchase threshold. The cardholder is not splitting the requirement of paying to register the employee for the class.

Example 2: A convenience check account holder has to pay for supplies from a company that does not accept the Government purchase card. The total cost of the supply order is \$4,160. If two separate convenience checks are issued (e.g., \$3,000 and \$1,160 or two payments of \$2,080), this would constitute a split as the two transactions would represent circumventing the single purchase threshold, \$3,000.

F. Providing the necessary documentation in accordance with FAR and VAAR requirements, when an unauthorized commitment occurs;

G. Reconciling payment charges within 10 working days after the billing cycle;

H. Ensuring receipt of goods ordered and services rendered;

I. Complying with OIT requirements when purchasing non-expendable IT equipment in accordance with VA Handbook 7002, Logistics Management Procedures;

1. Purchase cardholders will not purchase general non-expendable items without prior approval from the appropriate source within their organization (i.e., VHA - local Equipment Committee; NCA – Cemetery Director; VBA – Regional Office Director). Once the cardholder receives the appropriate approval and upon receipt of the purchased non-IT non-expendable item, the cardholder will contact the facility's accountable officer to ensure that the piece of equipment is properly accounted for in the VA's property record system. Purchase cardholders will not purchase non-expendable IT equipment (such as Smartphone charger or computer cable connections) with a Government purchase card unless they are authorized to make such procurements. Purchase cardholders will inform both the accountable officer and IT Custodial Officer of all non-expendable IT equipment procured with purchase cards to ensure the equipment is added to the inventory management system correctly upon receipt.

2. Purchase cardholders will inform the IT Custodial Officer of all expendable sensitive IT items (i.e., items capable of storing data electronically) procured with purchase cards to ensure the items are entered into the appropriate inventory management system.

3. The OIG information technology funding is included in OIG's general operating expenses appropriation and; therefore, is not subject to OIT requirements for purchasing IT equipment.

J. Advising vendors to submit sales drafts only after an order is shipped;

K. Providing applicable receipts to the AO to enable certification of payment;

- L. Safeguarding Government purchase cards and convenience checks;
 - M. Resolving disputes with vendors; if not resolved, filing an official dispute with the purchase card and convenience check servicing bank and notifying the dispute officer;
 - N. Contacting the AO or A/OPC with any questions or issues concerning use of the purchase card;
 - O. Retaining purchase documentation for 6 years and 3 months in accordance with NARA, General Schedule 6;
 - P. Inquiring about prompt payment discounts at time of purchase, if applicable. Vendors often offer discounts for purchases made on behalf of the Federal Government and when using the Government purchase card as payment;
 - Q. Obtaining merchant-offered refunds or coupons or additional items offered as a result of purchase, such as a free printer with purchase of a computer, and returning these to VA. Questions about permission to receive a free item should be directed to the AO and A/OPC. The cardholder should supply VA's address when needed to obtain these offers. The refunds/coupons should be returned to the agent cashier, AO or appropriate VA representative;
 - R. Complying with appropriations law, including, but not limited to, Comptroller General decisions associated with the purchase of food and or beverages. In general, an agency may not use appropriated funds to purchase items considered personal expenses, such as food and beverages, without specific authority (e.g., the legal exceptions described in GAO-04-261SP, *Principles of Federal Appropriations Law*, 3d. edition – Volume I, Chapter 4, section C, part 5). Refer to VA Office of Financial Policy Volume II Chapter 4, Incentives Awards Ceremonies Expenses/Mementos, for additional information on the general rules and exceptions for VA to purchase food and beverages for patients, employees and other VA stakeholders;
 - S. When procuring gift cards from the General Post Fund, developing and maintaining standard operating procedures (SOP) for the accountability of all gift card purchases, distribution and end use for audit purposes. The procurement of gift cards without an approved organizational SOP and auditable accountability procedures is prohibited; and
 - T. Ensuring adherence to property management policies and procedures. This includes notifying VA property management activity of the receipt of goods to properly track and classify inventory.
- 010412 AO. The AO is responsible for reviewing and approving cardholders' transactions under their purview, to ensure the transaction is legal, proper, mission essential, and in accordance with purchase card policy. An AO shall be at a higher or

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equivalent grade level with respect to the purchase cardholders under their purview. No individual may be the AO for his or her supervisor. An AO cannot be a cardholder for his or her own card. The AO is responsible for requesting the establishment of new purchase card accounts and cardholders' single purchase and monthly purchase thresholds. Other duties include the following:

- A. Recommending individuals as purchase cardholders and recommending single purchase and monthly purchase thresholds in conjunction with the program coordinator, the billing officer, and the delegating authority. Thresholds may not exceed the micro-purchase threshold without acquisition authority;
- B. Monitoring the use of the purchase card by the cardholder to ensure purchases are legitimate expenditures and within guidelines. Resolving any questionable purchase with the cardholder;
- C. Signing authorization for purchase of food or beverages prior to the purchase, to include SES or Title 38 equivalent concurrence. The justification will identify the legal exception used, but not limited to, authorities cited in GAO-04-261SP, *Principles of Federal Appropriations Law*, Volume I, Chapter 4, Section C, part 5. Refer to VA Office of Financial Policy Volume II Chapter 4, *Awards, Ceremonies, Food or Refreshments, Gifts or Mementos*, for additional information on the general rules and exceptions for VA to purchase food and beverages for patients, employees and other VA stakeholders;
- D. Verifying all transactions made by cardholders and supporting documentation is maintained for 6 years and 3 months in accordance with NARA, General Schedule 6, records retention regulations;
- E. Ensuring Federal, VA and local acquisition regulations are followed;
- F. Documenting approval that all procurements are legal and proper, ensuring all items are received and inventoried and services rendered;
- G. Ensuring purchase cardholders inform the accountable officer of all equipment, including sensitive items regardless of cost, procured with purchase cards to ensure the items are entered into the appropriate inventory management system (see VA Directive and Handbook 7002, Logistics Management Procedures);
- H. Verifying and documenting that charges are reconciled within 14 working days after the billing cycle;
- I. Monitoring purchase cardholder compliance with single purchase and monthly thresholds (single purchase threshold, FAR 13.003 Policy (c) (2) – Do not break down requirements aggregating more than the acquisition threshold into several purchases that are less than the applicable threshold merely to—(i) Permit use of simplified acquisition

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procedures; or (ii) Avoid any requirement that applies to purchases exceeding the micro-purchase threshold);

J. Notifying HCA within 30 days of the identification of an unauthorized commitment by providing all documentation regarding the transaction and information on whether the VA received a benefit from the performance of the unauthorized commitment;

K. Ensuring policy and procedures established by VA Directive and Handbook 7401.7, Unauthorized Commitments and Ratification, for ratifying unauthorized commitments are followed;

L. Recommending disciplinary action according to VA Handbook 5021, Part I, Appendix A, Employee-Management Relations, or forward the case to OIG;

M. Verifying that the cardholder has completed his or her U.S. Bank or other FSC approved automated system reconciliations prior to exiting or extended leave, or has provided sufficient documentation so that the AO may complete the U.S. Bank or other FSC approved automated system reconciliations;

N. Providing guidance to cardholders in response to issues they raise related to use of the purchase card;

O. Having final certifying authority on the legitimacy of any procured item;

P. Completing training on proper use of the purchase card; (Note: If the purchase cardholder is a warranted contracting officer, the AO must possess the same Federal Acquisition Certification Level or above as the purchase cardholder; however, the AO does not need to be warranted.)

Q. Reporting to the A/OPC the following:

1. Any suspected cases of fraud and abuse;
2. Any lost, stolen, or compromised purchase cards; or
3. Any cardholders that have transferred, retired, or terminated their employment; are absent without leave; are on extended leave (with or without pay); or have no further need of a purchase card; and

R. Retaining purchase documentation for 6 years and 3 months in accordance with NARA, General Schedule 6, in the absence of the cardholder.

010413 Billing/Finance Officer. In most cases, the billing officer is part of the finance activity. A billing officer cannot be a cardholder or an AO. The billing officer is responsible for:

A. Ensuring that single purchase and monthly purchase thresholds are within budget limits;

- B. Establishing default accounting code string and merchant codes for all purchase cards and submitting them to the program coordinator;
- C. Ensuring refunds are reviewed for accuracy and credited to the correct appropriation;
- D. Collecting amounts from the cardholder for inappropriate procurements (if the goods cannot be returned for full credit) by using all applicable collection procedures, including salary offset; and
- E. Ensuring that purchase card transactions are charged to the appropriate fund, cost center and budget object code based on items purchased.

010414 Dispute Officer. A dispute officer may also serve as a program coordinator, but cannot be a cardholder or an AO. The dispute officer is responsible for:

- A. Coordinating and monitoring disputed procurements, credits, and billing errors that cannot be resolved within 90 calendar days from the date the transaction was processed; and
- B. Assisting or interceding when a dispute cannot be handled in the normal method using the Government cardholder dispute form.

0105 PROCEDURES

Detailed procedures in appendices will be added as needed.

0106 DEFINITIONS

010601 Abuse. Use of a Government charge card or convenience checks to buy authorized items at terms (e.g., price, quantity) that are excessive or for a questionable Government need or both. Examples of such transaction would include purchase of a day planner costing \$300 rather than one costing \$45, allowable refreshments at an excessive cost, or year-end or other bulk purchases of computer or electronic equipment for a Government need in the current year (questionable).

010602 Acquisition. Acquiring supplies or services (including construction) by contract with appropriated funds by and for the use of the Federal Government through purchase or lease, whether the supplies or services are already in existence or must be created, developed, demonstrated and evaluated. Acquisition begins at the point when Agency needs are established and includes the description of requirements to satisfy Agency needs, solicitation and selection of sources, award of contracts, contract financing, contract performance, contract administration, and those technical and management functions directly related to the process of fulfilling Agency needs by contract.

010603 Agency/Organization Program Coordinator (A/OPC). The A/OPC oversees the card program(s) for his or her agency/organization and establishes guidelines. The A/OPC helps set up accounts; serves as liaison between the purchase cardholder or convenience check account holder and the purchase card servicing bank; provides on-going advice; audits purchase card accounts as required; and keeps necessary account information current. This individual serves as the focal point for answering management, task order administration, establishing and maintaining accounts, and issuing and destroying purchase cards or convenience checks.

010604 Approving Official (AO). The AO, typically a supervisor, ensures that the purchase card is used properly; authorizes cardholder purchases (for official use only); and ensures that the statements are reconciled and submitted to the designated billing office in a timely manner. The AO serves as the initial internal control to prevent or identify fraud, abuse, or misuse of the purchase card.

010605 Authorization. The process of verifying at the point of sale that a purchase being made using a purchase card is allowable given the requirements, prohibitions, and controls established by the A/OPC for the purchase card.

010606 Billing Cycle Date. The cut-off date for when purchase card transactions are processed for the billing cycle. This is also known as the "closing date."

010607 Cardholder. See Purchase Cardholder.

010608 Contract. A mutually binding legal instrument that obligates the seller to furnish property, supplies, or services (including construction) and the buyer to pay for them. The principal purpose of the instrument is the acquisition (by purchase, lease, or barter) of property, supplies, or services for the direct benefit or use of the Federal Government, or in the case of a host country contract, the host Government agency that is a principal signatory party to the instrument. The term does not include grants and cooperative agreements covered by 31 U.S.C. 6301, *et seq.*

010609 Convenience Check. Convenience checks are written against a purchase card account. Convenience checks are a payment or procurement tool intended only for use with merchants that do not accept purchase cards and have received an EFT waiver in accordance with Treasury rule. Convenience checks should be used as a payment method of last resort, only when no reasonable alternative merchant is available who accepts the purchase card.

010610 Convenience Check Account Holder. The legal agent using the convenience checks to buy goods and services in support of official Government business. The convenience check account holder signs the checks and has the primary responsibility for their proper use.

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010611 Davis-Bacon Act. The Davis-Bacon Act (40 U.S.C. 3141, *et seq.*) provides that contracts in excess of \$2,000 to which the United States or the District of Columbia is a party for construction, alteration, or repair (including painting and decorating) of public buildings or public works within the United States, shall contain a clause (see FAR 52.222-6) that no laborer or mechanic employed directly upon the site of the work shall receive less than the prevailing wage rates as determined by the Secretary of Labor.

010612 Delegation of Authority. The authority granted for a specific function to a subordinate. The Authority must be well- defined. The top level management has greatest authority. The delegation does NOT relieve the granting authority of the accountability for the end result.

010613 Delegation of Authority Form. Certification form that recognizes the purchase card (VA Form 0242) and convenience check holder (VA Form 0242c) as a procurement official, grants authorization to spend Government funds, and establishes the level of purchase authority.

010614 Designated Billing Office (DBO). The Agency office responsible for paying bills. The Office of the CFO, Cash Management and Payment Division, Chief Business Office is the DBO for VA accounts.

010615 Dispute. A disagreement between a purchase cardholder and a vendor with respect to a specific transaction.

010616 Electronic Access System (EAS). The charge card servicing bank's internet-based system which provides a variety of reports that assist in the effective management of the Government purchase card program. The EAS allows AOs to review a cardholder's transactions online. Purchase cardholders can maintain electronic purchase logs through the EAS as well. There are many other functions of the EAS that are beneficial for AOs, including electronic reconciliation and certification, editing account allocation, multi-account allocation and assignment of account codes.

010617 Electronic Funds Transfer (EFT). Any transfer of funds, other than a transaction originated by cash, check or similar paper instrument, that is initiated through an electronic terminal, telephone, computer or magnetic tape for the purpose of ordering, instructing or authorizing a financial institution to debit or credit an account. The term includes, but is not limited to, automated clearinghouse transfers, Fedwire transfers, and transfers made at automated teller machines and Point-of-Sale terminals.

010618 Fraud. Any felonious act of corruption or attempt to cheat the Government or corrupt the Government's agents. For the purposes of this guidance, fraud is the use of Government charge cards to transact business that is not sanctioned, not authorized, not in one's official Government capacity, not for the purpose for which the card was issued or not as a part of official Government business. This list is not intended to be all inclusive.

010619 GSA ADVANTAGE!. An online system offering a streamlined approach to ordering from General Services Administration (GSA) catalogs and Federal Supply Schedules, available at <https://www.gsaadvantage.gov>.

010620 GSA SmartPay 2 Program. The Federal Government's charge card program that provides cardholders a means to pay for commercial goods and services, travel and travel-related expenses and vehicle fleet expenses. Charge cards are issued through contracts with those charge card vendors who are a part of this program. These contracts, collectively referred to as the Master Contract, are administered by the General Services Administration.

010621 Improper Purchase. Any purchase that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative or other legally applicable requirements. Incorrect amounts include overcharges and undercharges.

010622 Merchant. The source for the agency's supplies or services. The merchant may be a required source inside or outside of the Government, another Government agency or a private sector merchant of supplies or services.

010623 Merchant Category Code (MCC). A four-digit number assigned to a business by MasterCard or VISA when the business first starts accepting one of the cards as a form of payment. The MCC is used to classify the business by the type of goods or services it provides.

010624 Micro-Purchase. An acquisition of supplies or services using simplified acquisition procedures, the aggregate amount of which does not exceed the micro-purchase threshold.

010625 Micro-Purchase Card. A centrally billed, Government purchase card limited by the micro-purchase threshold used to pay for goods and services in support of official Government business.

010626 Misuse. Use of the Government charge card for other than the official Government purpose(s) for which it is intended.

010627 Pecuniary Liability. The Supplement to the Treasury Financial Manual, Volume I, Now That You're a Certifying Officer, defines it as (1) being *individually responsible* for reimbursing the Government for any payment that you certified which is found to be illegal, improper, or incorrect; (2) being *responsible for reporting malfeasance* to your supervisor; and (3) being *responsible for individually supervising* the work of field officers.

010628 Ratification. The act of approving an unauthorized commitment by an official who has the authority to do so.

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010629 Required Source. A Government-established source of supplies and services that the purchase cardholder must consider before going to the commercial sector to make acquisitions.

010630 Sensitive Property. Durable assets that are readily portable and have significant resale value or significant potential for diversion to personal use. Examples include, but are not limited to, cell phones, digital cameras, iPods, MP3 players, GPS devices, special purpose flashlights, computer equipment, digital storage devices, televisions, DVD players and protective clothing. Accordingly, such assets require inventory controls regardless of dollar value.

010631 Service Contract Act. As it applies to the micro-purchase threshold, service contracts over \$2,500 shall contain mandatory provisions regarding minimum wages and fringe benefits, safe and sanitary working conditions, and notification to employees of the minimum allowable compensation and equivalent Federal employee classifications and wage rates. Under 41 U.S.C. §353(d), service contracts may not exceed 5 years.

010632 Splitting. A prohibited tactic used to avoid the single purchase threshold for micro-purchase cards.

010633 Tax exempt. Not subject to Federal, state, or local taxes.

010634 Threshold. An established spending limit.

- Single purchase threshold. The maximum dollar amount allowed on each individual (single) purchase.
- Monthly spending limit of a purchase cardholder in a billing cycle. An A/OPC or AO determines this threshold based on the organization's anticipated purchasing requirements.

010635 Unauthorized Commitment. An agreement that is not binding solely because the Government representative who made it lacked the authority to enter into that agreement on behalf of the Government.

010636 Vendor. An entity that sells products and services. It may be a Government agency or organization, a contractor, or a retail merchant.

010637 Waste. Any activity taken with respect to a Government charge card that fosters or results in unnecessary costs or other program inefficiencies.

0107 RESCISSIONS

010701 OFP Policy Volume XIV Chapter 1, Government Purchase Card Program, June 2014

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0108 QUESTIONS

Questions concerning these financial policies and procedures should be directed as follows:

VHA VHA CFO Accounting Policy (10A3A) (Outlook)
VBA VAVBAWAS/CO/FINREP (Outlook)
NCA NCA CAATS Finance Approvers (Outlook)
FSC Purchase Card Operations (Outlook)
OFP ChargeCardPolicy (Outlook)

0109 REVISIONS

Section	Revision	Office	Date
010205A3	Changed prosthetics ratio with 1 AO to 40 purchase card accounts.	APS (047GA)	December 2014

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APPENDIX A: DELEGATION OF AUTHORITY

Department of Veterans Affairs

Memorandum

Date November 15, 2013

From: Executive in Charge, Office of Management, and Chief Financial Officer (004)

Subject: Re-Delegation of Micro-Purchase Authority (VAIQ # 7416942)

To: Under Secretaries, Assistant Secretaries, and Other Key Officials

1. I hereby re-delegate micro-purchase and convenience check authority, solely in conjunction with the government-wide commercial purchase card program, to the Under Secretaries, Assistant Secretaries, and Other Key Officials.

2. **AUTHORITY.** Principal Executive Director, Office of Acquisition, Logistics, and Construction memorandum, dated September 30, 2013, Micro-Purchase Delegation of Authority (attached).

3. RESTRICTIONS.

a. All restrictions outlined in the attached memorandum apply to this re-delegation.

b. This authority may be re-delegated no lower than the SES or SES-equivalent level.

c. This re-delegation only applies to the use of the government purchase cards and convenience checks.

d. The use of convenience checks is to be the payment method of last resort, when no reasonable alternative merchant is available that accepts a charge card. See Volume XVI Chapter 1, Government Charge Card, for details and restrictions on the use of convenience checks.

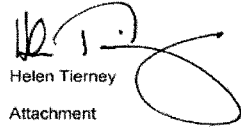
4. **RESCISSIONS:** This rescinds the Re-Delegation memorandum dated November 1, 2013 (VAIQ7405117).

5. This re-delegation of authority is effective immediately and remains in force until rescinded.

Page 2.

Re-Delegation of Micro-Purchase Authority (VAIQ #7416942)

6. If you have any questions, please contact me or have a member of your staff contact Mr. Edward Murray, Deputy Assistant Secretary for Finance, at 202-461-6180.


Helen Tierney
Attachment

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**Department of
Veterans Affairs**

Memorandum

Date: SEP 30 2013

From: Principal Executive Director, Office of Acquisition, Logistics, and Construction (003)

Subj: Micro-Purchase Delegation of Authority (VAIQ 7403087)

To: Executive in Charge, Office of Management, and Chief Financial Officer (004)

1. As the Department of Veterans Affairs (VA) Acting Chief Acquisition Officer (CAO), I hereby delegate micro-purchase authority to the Assistant Secretary, Office of Management, and Chief Financial Officer (CFO) solely in conjunction with the government-wide commercial purchase card program.

2. AUTHORITY. Memorandum for the Under Secretaries, Assistant Secretaries, and other Key Officials, dated February 12, 2009, Subject: Delegation of Authority Defined by the Service Acquisition Reform Act of 2003, to the Executive Director, Office of Acquisition, Logistics and Construction.

3. RESTRICTIONS. All procurements must be made in accordance with the applicable laws and regulations included but not limited to, the Federal Acquisition Regulation (FAR) and the VA Acquisition Regulations. This delegation cancels and supersedes all previous delegations of authority that may conflict with this delegation.

4. In accordance with the FAR Part 2 – definitions, “Micro-purchase threshold” means \$3,000, except it means -

- a. For acquisitions of construction subject to the Davis-Bacon Act, \$2,000;
- b. For acquisitions of services subject to the Service Contract Act, \$2,500; and
- c. For acquisitions of supplies or services that, as determined by the head of the agency, are to be used to support a contingency operation or to facilitate defense against or recovery from nuclear, biological, chemical or radiological attack as described in 13.201(g) (1), except for construction subject to the Davis-Bacon Act (41 U.S.C. 428a)--
 - 1) \$15,000 in the case of any contract to be awarded and performed, or purchase to be made, inside the United States; and
 - 2) \$30,000 in the case of any contract to be awarded and performed, or purchase to be made outside the United States.*

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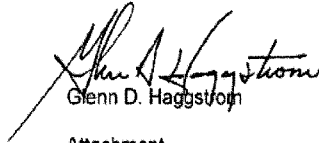
Page 2

Subj: Micro-Purchase Delegation of Authority (VAIQ 7403087)

5. The Assistant Secretary, Office of Management, and CFO may re-delegate this authority as authorized in the Memorandum for the Under Secretaries, Assistant Secretaries, and other Key Officials, dated February 12, 2009, Subject: Delegation of Authority Defined by the Service Acquisition Reform Act of 2003, to the Executive Director, Office of Acquisition, Logistics and Construction.

6. This delegation remains in full force unless rescinded by the CAO.

7. Please contact me if you have any questions.


Glenn D. Haggstrom

Attachment

ATTACHMENT



THE SECRETARY OF VETERANS AFFAIRS
WASHINGTON

February 12, 2009

**MEMORANDUM FOR THE UNDER SECRETARIES, ASSISTANT SECRETARIES,
AND OTHER KEY OFFICIALS**

SUBJECT: Delegation of Authority Defined by the Services Acquisition Reform Act of 2003 to the Executive Director, Office of Acquisition, Logistics and Construction

1. DELEGATION

- a. This memorandum designates the Executive Director, Office of Acquisition, Logistics and Construction (OALC) as the Acting Chief Acquisition Officer for the Department of Veterans Affairs (VA) and delegates the following responsibilities identified by the Services Acquisition Reform Act of 2003 to the incumbent
 - b. This delegation includes, but is not limited to, the authority to:
 - (1) Advise and assist the Secretary on the appropriate business strategy to achieve VA's mission.
 - (2) Advise and assist the Secretary and other VA officials in ensuring that acquisition activities contribute to achieving VA's mission.
 - (3) Monitor and evaluate the performance of VA's acquisition programs based on applicable performance measurements.
 - (4) Establish policies, procedures, and practices that increase the use of full and open competition in the acquisition of goods and services by the executive agency.
 - (5) Increase appropriate use of performance-based contracting and performance specifications in the VA's acquisition activities.
 - (6) Make VA's acquisition decisions consistent with all applicable laws, regulations, and policies.
 - (7) Establish clear lines of authority, accountability, and responsibility for VA's acquisition decisions.
 - (8) Manage the direction of VA acquisition policy, including implementation of VA's acquisition regulations, policies, and standards.

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Delegation of Authority Defined by the Services Acquisition Reform Act of 2003 to the Executive Director, Office of Acquisition, Logistics and Construction

(9) Develop and maintain a VA acquisition career management program to ensure that VA has an adequate professional acquisition workforce.

(10) Review, as part of VA's strategic planning and performance evaluation process, current requirements for VA personnel regarding knowledge and skill in acquisition resource management and determine whether such requirements adequately facilitate the achievement of the performance goals established for VA's acquisition management.

(11) Develop, if necessary, strategies and specific plans for hiring, training and professional development for VA's acquisition personnel.

(12) Report to the Secretary on the improved progress made by VA acquisition management capability.

2. AUTHORITY. Section 1421 of the Services Acquisition Reform Act (SARA), Public Law 108-136, 41 United States Code 414, et seq. and Executive Decision Memorandum issued by the Secretary of the VA on October 10, 2008, establishing the Office of Acquisition, Logistics and Construction.

3. RESTRICTIONS. This delegation cancels and supersedes the previous delegation signed July 22, 2005, designating the Assistant Secretary for Management as the Department of Veterans Affairs Chief Acquisition Officer.

4. REDELEGATION. The Executive Director, Office of Acquisition, Logistics and Construction, may further delegate the authority of the Chief Acquisition Officer, subject to the provisions of Section 1421 of Public Law 108-136.

5. EFFECTIVE DATE. This designation and delegation of authority is effective upon signature and remains in effect until the appointment of an Assistant Secretary who will assume the duties of the Chief Acquisition Officer.


Eric K. Shinseki

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APPENDIX B: VA FORM 0242, GOVERNMENTWIDE PURCHASE CARD
CERTIFICATION FORM

VA Department of Veterans Affairs		GOVERNMENTWIDE PURCHASE CARD CERTIFICATION FORM	
<p>NOTE: Before the Governmentwide Purchase Card can be issued to the individual cardholder, the following statements must be executed by the cardholder, approving official, alternate approving official, purchase card coordinator and the delegating authority. Signature on this form certifies that the purchase card will be issued appropriately and the cardholder and approving official understands the adverse actions which may be taken as a result of inappropriate or unauthorized use of the card. Please read and sign the statement below.</p>			
VA PURCHASE CARDHOLDER STATEMENT			
<p>CERTIFICATION: I certify that I have read and that I understand the policies and regulations that govern the use of the Governmentwide Purchase Card. I further certify that I will adhere to the policies and regulations governing procurement, and that failure to do so will cause the revocation of the purchase card and delegation of procurement authority.</p>			
TYPE NAME OF PURCHASE CARD HOLDER		JOB TITLE	
SIGNATURE OF PURCHASE CARD HOLDER		NAME OF ORGANIZATION	
DATE SIGNED		WORK TELEPHONE NUMBER	
VA APPROVING OFFICIAL STATEMENT			
<p>CERTIFICATION: I certify that I have read and that I understand the policies and regulations that govern the use of the Governmentwide Purchase Card and my associated responsibilities as the above cardholder's Approving Official. I further certify that I will adhere to the policies and regulations governing procurement, and that failure to do so will cause the revocation of approving official authority.</p>			
TYPE NAME OF APPROVING OFFICIAL		DATE SIGNED	
SIGNATURE OF APPROVING OFFICIAL		DATE SIGNED	
VA ALTERNATE APPROVING OFFICIAL STATEMENT			
<p>CERTIFICATION: I certify that I have read and that I understand the policies and regulations that govern the use of the Governmentwide Purchase Card and my associated responsibilities as the above cardholder's Alternate Approving Official. I further certify that I will adhere to the policies and regulations governing procurement, and that failure to do so will cause the revocation of approving official authority.</p>			
TYPE NAME OF ALTERNATE APPROVING OFFICIAL		DATE SIGNED	
SIGNATURE OF ALTERNATE APPROVING OFFICIAL		DATE SIGNED	
VA PURCHASE CARD COORDINATOR STATEMENT			
<p>CERTIFICATION: The purchase card holder is hereby notified that purchase card refresher training, to include applicable warrant/acquisition training is required every two years, and failure to complete this training will result in the revocation of the purchase card and delegation of procurement authority. I certify that the above named cardholder, approving official and alternate (if applicable), have successfully completed the Department of Veterans Affairs training on the use of the Governmentwide Purchase Card Program and meets the criteria required by Agency policies.</p>			
TYPE NAME OF PURCHASE CARD COORDINATOR		DATE SIGNED	
SIGNATURE OF PURCHASE CARD COORDINATOR		DATE SIGNED	
DELEGATION OF AUTHORITY			
<p>DELEGATION OF AUTHORITY: Upon completion of the Department of Veterans Affairs (VA) purchase card training course, and signature of the Cardholder, Approving Official(s), and Purchase Card Coordinator, the cardholder named above is hereby delegated authority to procure supplies and services to be paid by the Governmentwide Purchase Card. Without further specific delegation of procurement authority by the delegating authority, the supplies and services procured shall not exceed the micro-purchase threshold of \$3,000 (\$2,000 for construction and \$2,500 for service contracts)* for a single procurement (unless otherwise indicated below) and shall also adhere to the cardholder's monthly spending limit.** Supplies and services procured shall be consistent with the organizational responsibilities and satisfy legitimate VA requirements. All procurements shall be made in accordance with the applicable laws and regulations included but not limited to, the Federal Acquisition Regulation and the VA Acquisition Regulation. This delegation shall automatically terminate upon separation from the agency, reassignment to another office within the agency, or cancellation of the purchase card account by the Approving Official, Program Coordinator, Fiscal Officer, or Delegating Authority.</p>			
This delegation of authority has been granted to me by _____ (TITLE)			
effective _____ My current position is at least an SES or SES equivalent level.			
I certify that I have reviewed the justification provided by the approving official (AO) and concur with the purchase authority needs for the above cardholder. I certify the cardholder and AO have the appropriate training in accordance with the single purchase threshold. I approve the requested single monthly procurement limits.			
TYPE NAME OF DELEGATING AUTHORITY		DATE SIGNED	
SIGNATURE OF DELEGATING AUTHORITY		DATE SIGNED	
(If single purchase limit is above micro-purchase threshold)	WARRANT NUMBER	DATE OF EXECUTION	EXPIRATION DATE
			LIMITS \$
VA LEVEL 1/NATIONAL PURCHASE CARD COORDINATOR			
I have received all of the necessary documentation and processed the request to the servicing bank.			
TYPE NAME OF PURCHASE CARD COORDINATOR		DATE SIGNED	
SIGNATURE OF PURCHASE CARD COORDINATOR		DATE SIGNED	

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OCT 2013

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PAGE 2 MUST BE COMPLETED TO IDENTIFY EACH TYPE/PURPOSE OF PURCHASE CARD LINKED TO THE ABOVE NAMED PURCHASE CARDHOLDER, APPROVING OFFICIALS AND PURCHASE CARD COORDINATOR. ONE CERTIFICATION FORM CAN BE DONE FOR MULTIPLE CARDS AS LONG AS THE ABOVE INDIVIDUALS ARE THE SAME ON ALL ACCOUNTS. IF A PURCHASE CARD HOLDER AS MULTIPLE ACCOUNTS WITH DIFFERENT APPROVING OFFICIALS OR COORDINATORS, A SEPARATE CERTIFICATION FORM MUST BE COMPLETED.

This Purchase Card Certification Form will apply to the following purchase card accounts. A separate bank application must be completed for each purchase card listed below.

1. TYPE OR PURPOSE (must match name on third line endorsing bank application)	
SINGLE PROCUREMENT LIMIT **\$	MONTHLY PROCUREMENT LIMIT **\$
2. TYPE OR PURPOSE (must match name on third line endorsing bank application)	
SINGLE PROCUREMENT LIMIT **\$	MONTHLY PROCUREMENT LIMIT **\$
3. TYPE OR PURPOSE (must match name on third line endorsing bank application)	
SINGLE PROCUREMENT LIMIT **\$	MONTHLY PROCUREMENT LIMIT **\$
4. TYPE OR PURPOSE (must match name on third line endorsing bank application)	
SINGLE PROCUREMENT LIMIT **\$	MONTHLY PROCUREMENT LIMIT **\$
5. TYPE OR PURPOSE (must match name on third line endorsing bank application)	
SINGLE PROCUREMENT LIMIT **\$	MONTHLY PROCUREMENT LIMIT **\$
6. TYPE OR PURPOSE (must match name on third line endorsing bank application)	
SINGLE PROCUREMENT LIMIT **\$	MONTHLY PROCUREMENT LIMIT **\$
7. TYPE OR PURPOSE (must match name on third line endorsing bank application)	
SINGLE PROCUREMENT LIMIT **\$	MONTHLY PROCUREMENT LIMIT **\$
8. TYPE OR PURPOSE (must match name on third line endorsing bank application)	
SINGLE PROCUREMENT LIMIT **\$	MONTHLY PROCUREMENT LIMIT **\$

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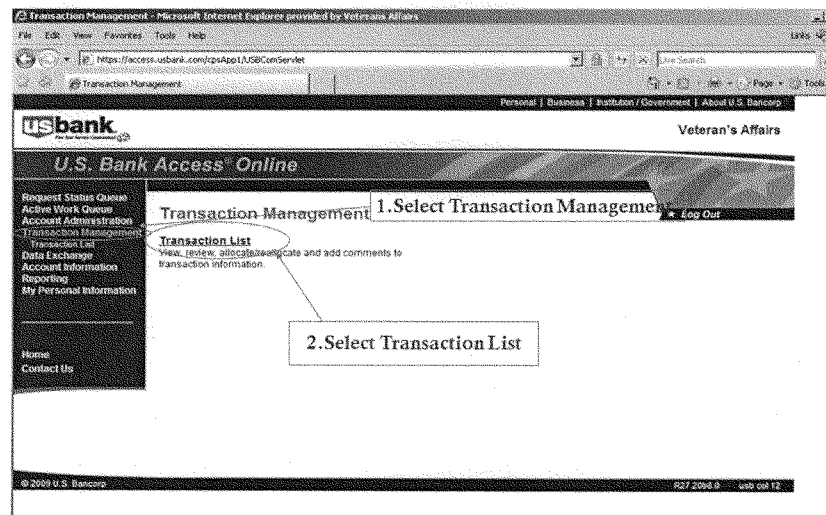
APPENDIX C: VA FORM 0242c, CONVENIENCE CHECK CERTIFICATION FORM

Department of Veterans Affairs		CONVENIENCE CHECK CERTIFICATION FORM	
<p>NOTE: Convenience checks are a payment and/or procurement tool intended only for use with merchants that do not accept purchase cards. Before the Convenience Check account may be issued to the authorized convenience check account holder, the following statements must be attested to by the convenience check account holder, purchase card coordinator, and the delegating authority. Signature on this form certifies that the convenience check account will be issued appropriately and the convenience check account holder understands the adverse actions which may be taken as a result of inappropriate or unauthorized use of the convenience checks. Please read and sign the statement below.</p>			
VA CONVENIENCE CHECK ACCOUNT HOLDER STATEMENT			
<p>CERTIFICATION: I certify that I have read and that I understand the policies and regulations that govern the use of the Convenience Check account. I further certify that I will adhere to the policies and regulations governing procurement, and that failure to do so will cause the revocation of the convenience check account and delegation of procurement authority.</p>			
TYPE NAME OF CONVENIENCE CHECK ACCOUNT HOLDER		JOB TITLE	WORK TELEPHONE NO.
SIGNATURE OF CONVENIENCE CHECK ACCOUNT HOLDER	DATE SIGNED	NAME OF ORGANIZATION	
VA APPROVING OFFICIAL STATEMENT			
<p>CERTIFICATION: I certify that I have read and that I understand the policies and regulations that govern the use of the Convenience Check Account and my associated responsibilities as the above account holder's Alternate Approving Official. I further certify that I will adhere to the policies and regulations governing procurement, and that failure to do so will cause the revocation of approving official authority.</p>			
TYPE NAME OF APPROVING OFFICIAL		SIGNATURE OF APPROVING OFFICIAL	DATE SIGNED
VA ALTERNATE APPROVING OFFICIAL STATEMENT			
<p>CERTIFICATION: I certify that I have read and that I understand the policies and regulations that govern the use of the Convenience Check Account and my associated responsibilities as the above account holder's Alternate Approving Official. I further certify that I will adhere to the policies and regulations governing procurement, and that failure to do so will cause the revocation of approving official authority.</p>			
TYPE NAME OF ALTERNATE APPROVING OFFICIAL		SIGNATURE OF ALTERNATE APPROVING OFFICIAL	DATE SIGNED
VA CONVENIENCE CHECK ACCOUNT COORDINATOR STATEMENT			
<p>CERTIFICATION: The convenience check account holder is hereby notified that purchase card refresher training is required every two years, and failure to complete this training will result in the revocation of the convenience check account and delegation of procurement authority. I certify that the above named convenience check account holder has successfully completed the Department of Veterans Affairs training on the use of the Governmentwide Purchase Card and Convenience Check account and meets the criteria required by Agency policies.</p>			
TYPE NAME OF PURCHASE CARD COORDINATOR		SIGNATURE OF PURCHASE CARD COORDINATOR	DATE SIGNED
DELEGATION OF AUTHORITY			
<p>DELEGATION OF AUTHORITY: Upon completion of the Department of Veterans Affairs (VA) purchase card training course, and signature of the convenience check account holder, Approving Official and Purchase Card Coordinator, the convenience check account holder named above is hereby delegated authority to procure supplies and services to be paid by the Convenience Check. The supplies and services procured using the Convenience Check shall not exceed the micro-purchase threshold of \$3,000 (\$2,000 for construction and \$1,500 for services) for a single procurement and shall also adhere to the monthly spending limit. Supplies and services procured shall be consistent with the organizational responsibilities and satisfy legitimate VA requirements. All procurements shall be made in accordance with the applicable laws and regulations included but not limited to, the Federal Acquisition Regulation and the VA Acquisition Regulation. This delegation shall automatically terminate upon separation from the agency, reassignment to another office or position within the agency, or revocation of the convenience check account by the Approving Official, Program Coordinator, Fiscal Officer, or Delegating Authority.</p>			
This delegation of authority has been granted to me by _____ (TITLE)			
effective _____ My current position is at least an SES or SES equivalent level.			
I certify that I have reviewed the justification provided by the approving official (AO) and concur with the purchase authority needs for the above card holder. I certify the account holder and AO have the appropriate training in accordance with the single purchase threshold. I approve the requested single monthly procurement limit.			
TYPE NAME OF DELEGATING AUTHORITY		SIGNATURE OF DELEGATING AUTHORITY	DATE SIGNED
VA LEVEL 1/NATIONAL PURCHASE CARD COORDINATOR			
I have received all of the necessary documentation and processed the request to the servicing bank.			
TYPE NAME OF PURCHASE CARD COORDINATOR		SIGNATURE OF PURCHASE CARD COORDINATOR	DATE SIGNED
<p><small>NOTES: (Per GSA SmartPay Program regarding convenience check, it may NOT be written for purchases above the micro-purchase limit (as defined in FAR section 2.1))</small></p>			

VA FORM 0242c

APPENDIX D: U.S. BANK RECONCILIATION PROCESS

D-1 CARDHOLDER PROCESS



U.S. Bank Access Online

Personal | Business | Institution / Government | About U.S. Bancorp

Veteran's Affairs

Transaction Management

Select an Account

Please select an account

Records 1 - 2 of 2

Product Name	Account Number	Account Name
Purchase Card	XXXXXXXXXX	Doc, John
Purchase Card	XXXXXXXXXX	Doc, John

Records 1 - 2 of 2

U.S. Bank Access Online

Personal | Business | Institution / Government | About U.S. Bancorp

Veteran's Affairs

Transaction Management

Card Account Summary with Transaction List

Product: Purchasing Card

Card Account Number: XXXXXXXXXX Doc, John

Manage Acct List | Card Acct List | Transaction List

Card Account Summary

Account Number: XXXX

Account Name: John, Doc

Billing Cycle Close Date: Open

Total Transactions: \$2,373.79 5 Final Approved Transactions: \$0.00 0

Reallocated Transactions: \$0.00 0 % Final Approved Transactions: 0.0% 0.0%

% Reallocated Transactions: 0.0% 0.0%

☒ Open Account

Search Criteria

Transaction List

Records 1 - 5 of 5

Check All Shown | Uncheck All Shown

Select	Status	Approval Status	Trans Date	Posting Date	Merchant	City/State	Amount	Detail
--------	--------	-----------------	------------	--------------	----------	------------	--------	--------

Select the account number.

Select which transactions to view by cycle end date, open, or all. Select search.

Department of Veterans Affairs
Government Purchase Card

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[-] Card Account Summary

Account Number:
 Account Name:
 Billing Cycle Close Date:
 Total Transactions: \$2,373.79 5 Final Approved Transactions: \$0.00 0
 Reallocated Transactions: \$0.00 0 % Final Approved Transactions: 0.0% 0.0%
 % Reallocated Transactions: 0.0% 0.0%

Scroll to the bottom of the page to view transactions.

[+] Search Criteria [Return to top](#)

[-] Transaction List [Return to top](#)

Records 1 - 5 of 5
[Check All Shown](#) | [Uncheck All Shown](#)

Select	Status	Approval Status	Trans Date	Posting Date	Merchant	City/State	Amount	Detail	Purchase ID	AP
<input type="checkbox"/>	Pending		03/10	03/11	STRAYER UNIV-MONTGOMERY C	301-5408066, MD	\$1,510.00	(D)		
<input type="checkbox"/>	Pending		03/10	03/11	USDA GRADUATE SCHOOL	WASHINGTON, DC	\$159.00	CR (D)	91030011	
<input type="checkbox"/>	Pending		03/06	03/10	PROFESSIONAL INTERPRETER	301-7253402, MD	\$260.50	(D)	092030618440003	
<input type="checkbox"/>	Pending		03/03	03/05	APOMERHITZ & COMPANY	2154082100, PA	\$38.29	(D)	313325	
<input type="checkbox"/>	Pending		02/24	02/26	MANAGEMENT CONCEPTS INC	503-7809595, VA	\$715.00	(D)	000000701985	

(D) Disputed (R) Reallocated (D) Trans Detail Level
[Check All Shown](#) | [Uncheck All Shown](#)
 Records 1 - 5 of 5

Department of Veterans Affairs
Government Purchase Card

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Total Transactions: \$2,373.79 5 Final Approved Transactions: \$0.00 0
 Reallocated Transactions: \$0.00 0 % Final Approved Transactions: 0.0% 0.0%
 % Reallocated Transactions: 0.0% 0.0%

☐ Open Account

Search Criteria [Return to top](#)

Transaction List [Return to top](#)

Records 1 - 5 of 5
[Check All Shown](#) | [Uncheck All Shown](#)

Select	Status	Approval Status	Trans Date	Posting Date	Merchant	City/State	Amount	Detail	CR	Purchase ID
<input type="checkbox"/>	Pending	03/10	03/11	STRAYER UNIV-MONTGOMERY C	301-5408066, MD	\$1,510.00	(S)			
<input type="checkbox"/>	Pending	03/10	03/11	USDA GRADUATE SCHOOL	WASHINGTON, DC	\$150.00 CR	(S)			91030011
<input type="checkbox"/>	Pending	03/08	03/10	PROFESSIONAL INTERPRETER	301-7253402, MD	\$260.50	(S)			092030618440003
<input checked="" type="checkbox"/>	Pending	03/03	03/05	APOMERANTZ & COMPANY	2154082100, PA	\$38.29	(S)			313325
<input type="checkbox"/>	Pending	02/24	02/26	MANAGEMENT CONCEPTS INC	503-7909595, VA	\$715.00	(S)			000000701885

☐ Disputed ☒ Reallocated ☐ Transaction Detail Level

[Check All Shown](#) | [Uncheck All Shown](#)

Records 1 - 5 of 5

[Reallocate](#) [Mass Reallocate](#) [Approve](#) [Pull Back](#)

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Personal | Business | Institution / Government | About U.S. Bancorp

U.S. Bank Access Online [Log Out](#)

Transaction Management
 Approve Transaction(s)

Please select an approver to forward these transaction(s) to or "Cancel" if you do not want to approve / forward these transactions at this time.

* = required
 Approver's Name* [Switch Approver](#)

Summary of Transactions to be Approved
 Number of Transactions: 1
 Total Dollar Amount: \$38.29

[Approve](#) [Cancel](#)

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Select 'switch or
select approver.'

The screenshot shows the 'U.S. Bank Access Online' interface for 'Veteran's Affairs'. The page title is 'Approve Transaction(s) Search & Select an Approver'. A sidebar on the left contains links: Request Status Queue, Active Work Queue, Account Administration, Transaction Management, Managing Acct List, Card Account List, Transaction List, Data Exchange, Account Information, Reporting, and My Personal Information. At the bottom of the sidebar are 'Home' and 'Contact Us' links. The main content area has a 'Log Out' button in the top right. Below the title, it says 'Enter the approvers full or partial name, or leave blank to view all users. Then click the "Search" button.' There are input fields for 'Last Name' (containing 'Smith') and 'First Name' (containing 'Jane'). A 'Search' button is below these fields. A callout box points to the search area with the text: 'Enter your approving official's first and last names and select search.' Below the search fields is a '<< Back to Approve Transactions' link. The results section says 'Please select an approver from the results list below.' and 'Records 1 - 1 of 1'. It contains a table with columns 'Select', 'Approver Name', and 'Email Address'. The table has one row: a radio button, 'Smith, Jane', and 'Jane.P.Smith@va.gov'. A callout box points to the radio button with the text: '1. Select radio button next to your approver.' Below the table is a checkbox labeled 'Set selection as your default approver'. A callout box points to this checkbox with the text: '2. Click box next to "set selection as your default approver."' Below the checkbox is a 'Select Approver' button. A callout box points to this button with the text: '3. Click on "select approver."' At the bottom is another '<< Back to Approve Transactions' link.

U.S. Bank Access Online

Request Status Queue
Active Work Queue
Account Administration
Transaction Management
Managing Acct List
Card Account List
Transaction List
Data Exchange
Account Information
Reporting
My Personal Information

Home
Contact Us

U.S. Bank Access Online

Approve Transaction(s)
Search & Select an Approver

Log Out

Enter the approvers full or partial name, or leave blank to view all users. Then click the "Search" button.

Last Name: First Name:
Smith Jane

Search

<< Back to Approve Transactions

Please select an approver from the results list below.

Records 1 - 1 of 1

Select	Approver Name	Email Address
<input type="radio"/>	Smith, Jane	Jane.P.Smith@va.gov

Records 1 - 1 of 1

☐ Set selection as your default approver

Select Approver

<< Back to Approve Transactions

1. Select radio button next to your approver.

2. Click box next to 'set selection as your default approver.'

3. Click on 'select approver.'

U.S. Bank Access Online

Transaction Management

Approve Transaction(s)

Please select an approver to forward these transaction(s) to or "Cancel" if you do not want to approve / forward these transactions at this time.

* = required

Approver's Name: [Switch Approver](#)

Summary of Transactions to be Approved

Number of Transactions: 1

Total Dollar Amount: \$38.29

[Approve](#) [Cancel](#)

Select 'approve.'

Request has been successfully completed.

Card Account Summary

Account Number: [Search](#)

Account Name: John Doe

Billing Cycle Close Date: [Search](#)

Total Transactions: \$2,373.79 5 Final Approved Transactions: \$0.00 0

Reallocated Transactions: \$0.00 0 % Final Approved Transactions: 0.0% 0.0%

% Reallocated Transactions: 0.0% 0.0%

[Open Account](#)

Search Criteria [Return to top](#)

Transaction List [Return to top](#)

Records 1 - 5 of 5

[Check All Shown](#) / [Uncheck All Shown](#)

Select	Status	Approval Status	Trans Date	Posting Date	Merchant	City/State	Amount	Detail	Ex
<input type="checkbox"/>	Pending		03/10	03/11	STRAYER UNIV-MONTGOMERY C	301-5408066, MD	\$1,510.00		③
<input type="checkbox"/>	Pending		03/10	03/11	USDA GRADUATE SCHOOL	WASHINGTON, DC	\$150.00	CR	③
<input type="checkbox"/>	Pending		02/06	03/10	PROFESSIONAL INTERPRETER	301-7253402, MD	\$280.50		③
<input checked="" type="checkbox"/>	Approved		03/03	03/05	A POMERANTZ & COMPANY	2154082100, PA	\$38.29		③
<input type="checkbox"/>	Pending		02/24	02/26	MANAGEMENT CONCEPTS INC	503-7909595, VA	\$715.00		③

③ Disclosed ④ Reallocated ⑤ Trans Detail Level

[Check All Shown](#) / [Uncheck All Shown](#)

This indicates the transaction has been approved and sent to AO.

D-2 APPROVING OFFICIAL PROCESS



USbank
U.S. Bank Access Online

Transaction Management
Transaction List
Manager Approval Queue
Manager Approval History
Account Information
Reporting
My Personal Information

Home
Contact Us

Transaction Management
Manager Approval Queue

Track List | Manager's Queue

Transactions

The following transactions are awaiting your approval. Filter the pending transactions by using any of the search criteria.

Billing Cycle End Date: All
Approval Status: All
Transaction Amount: All \$

Cardholder Approver: All
Last Approver: All

Accounting Code Validation Status: All

Display 25 Transactions per page

Search Reset

Select Pending to view transactions pending approval only.

Select Cycle end date to view by cycle.

Please select the transactions you would like to approve, reject or reallocate and click the appropriate button. Note: Reallocation can only be done on the selected transactions on this page, not against all transactions on all pages.

Home
Contact Us

Transactions

The following transactions are awaiting your approval. Filter the pending transactions by using any of the search criteria.

Billing Cycle End Date: 12/31/2016
Approval Status: Pending
Transaction Amount: All \$

Cardholder Approver: All
Last Approver: All

Accounting Code Validation Status: All

Display 25 Transactions per page

Search Reset

Scroll to the bottom of the page to view transactions.

Please select the transactions you would like to approve, reject or reallocate and click the appropriate button. Note: Reallocation can only be done on the selected transactions on this page, not against all transactions on all pages.

If you would like to view or modify specific transaction data, please click on the transaction's approval status, date or accounting code link.

Records 1 - 1 of 1

Check All Show 1 Uncheck All Show

Select	Approval Status	Trans Date	Merchant	City/State	Amount	Detail	Account Number	Cardholder Approver	Last Approver
<input type="checkbox"/>	Pending	3/2/18	AMAZON.COM	AMZN.COM/BILL, WA	\$213.02	@	XXXX	Doe, John	Doe, John

Trans Detail Level: Reallocated

Check All Show 1 Uncheck All Show

Records 1 - 1 of 1

The screenshot shows the U.S. Bank Access Online Transaction Management interface. The top section contains search filters and a table of transactions. The bottom section shows the 'Approve Transaction(s)' screen with a summary and approval buttons.

1. Click the box(es) to select transaction(s).

2. After selecting the transaction(s), if you approve, select 'approve.' If you wish to reject the transaction(s), select 'reject.'

Please select the transactions you would like to approve, reject or reallocate and click the appropriate button. Note: Reallocation can only be done on the selected transactions on this page, not against all transactions on all pages.

If you would like to view or modify specific transaction data, please click on the transaction's approval status, date or accounting code link.

Records 1 - 1 of 1

Select	Approval Status	Trans Date	Merchant	City/State	Amount	Detail	Account Number	Cardholder	Last Approver
<input checked="" type="checkbox"/>	Pending	12/18	AMAZON.COM	AMZN.COMBILL, VA	\$213.02		XXXX	Doc, John	Doc, John

Records 1 - 1 of 1

Approve **Reject** **Reallocate** **More Reallocation**

U.S. Bank Access Online

Transaction Management

Managing Acct List
Card Account List
Transaction List
Account Information
Reporting
My Personal Information

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Transaction Management

Approve Transaction(s)

Please select an approver to forward these transaction(s) to, "Final" if no further approval is needed, or "Cancel" if you do not want to approve / forward these transactions at this time.

* = required

Approval Action

Approver's Name: **Select Approver**

☒ No further approval needed for these transactions

Summary of Transactions to be Approved

Number of Transactions: 1

Total Dollar Amount: \$213.02

Approve **Cancel**

1. Click on 'no further approval needed for these transactions.'

2. Select Approve.

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U.S. Bank Access Online

Transaction Management
Transaction List
Manager Approval Queue
Manager Approval History
Account Information
Reporting
My Personal Information

Home
Contact Us

U.S. Bank Access Online

Transaction Management
Manager Approval Queue

Log Out

Request has been successfully completed.

Transactions

The following transactions are awaiting your approval. Filter the pending transactions by using any of the search criteria.

Billing Cycle End Date: All
Approval Status: All
Transaction Amount: All

Cardholder Approver: All
Last Approver: All

Accounting Code Validation Status: All

Display 25 Transactions per page.

Search Reset

Please select the transactions you would like to approve, reject or reallocate and click the

This confirms the transaction has been final approved and will be removed from the queue.